

FINANCIAL TIMES

Start
the week
with...



The Big Apple
*Giuliani a shoo-in for
second bite as mayor*
Page 17



CAP reform
*Europe's farmers
into entrepreneurs*
Page 16



Today's Survey
Bermuda
Separate section

World Business Newspaper <http://www.FT.com>

MONDAY NOVEMBER 3 1997

WORLD NEWS

Moscow and Tokyo hail outcome of Siberia summit

Russia and Japan ended a ground-breaking summit in Siberia with a pledge to sign a peace treaty by 2000 - an accord which could end a century of war and mistrust between the two. Russian president Boris Yeltsin hailed the move as a breakthrough and officials on both sides described the summit as historic. Page 3

German pensions complaints

The German government yesterday faced a backlash from industry and its own political supporters after raising employees' and employers' state pension contributions to a record high. Page 3

Irish president-elect's hopes

Belmont-born law professor Mary McAleese, who won last week's election to succeed Mary Robinson as Irish head of state, said she hoped Ulster Unionist leaders would attend her inauguration. N Ireland politics. Page 8

Afghan drugs purge

Afghanistan's Taliban rulers said they sent armed men to destroy heroin laboratories hidden along the border with Pakistan. The UN Drug Control Program estimates 95 per cent of Afghan opium is grown in Taliban zones. Page 3

Vaclav Havel III

Vaclav Havel was readmitted to hospital suffering from pneumonia. The 61-year-old Czech president, who underwent surgery for lung cancer last year, had left hospital on Thursday. Page 3

Aegean leaders meet

Greek prime minister Costas Karamanlis and his Turkish counterpart Mesut Yilmaz, who met in Crete today amid continued tension between the Aegean neighbours. Page 3; Observer, Page 17

Rig workers evacuated

US company Unocal Thailand took almost 700 workers to safety from gas drilling rigs in the Gulf of Thailand as a tropical storm approached. Page 3

Compaigners contest verdict

Supporters of Louise Woodward gathered outside the US embassy in London protesting against the alleged unfairness of the English teenager's US murder conviction. Tomorrow judge Hillier Zobel will consider defence motions to throw out the verdict, reduce the charge or order a new trial. Page 3

Rocket launch aborted

Brazil's first space rocket had to be destroyed soon after launch because one of its motors failed. Page 3

Best for business

European Union company executives have voted London Europe's best city for business for the eighth year running, according to the European Cities Monitor 1997. Paris came second and Frankfurt third. Page 8

BUSINESS NEWS

Elf Aquitaine faces up to a flood of foreign shareholders

Elf Aquitaine, France's largest industrial company, now has about 50 per cent of its share capital in foreign hands, in a striking illustration of French capitalism's changing structure. But the prospect of majority foreign ownership of such a national figurehead may create controversy in a country where Anglo-Saxon-style management is still viewed with suspicion. Page 19

The European Bank for Reconstruction and Development

Union are set to experience their first year of pan-regional economic growth since the collapse of communism. Page 2

Barclays will consider selling parts of the equities and corporate advisory businesses of E&W

if Swiss-American investment bank CSFB fails to make a satisfactory bid for the whole by the end of today, London time. Page 19

European consumers face higher charges for electrical products

under waste management and recycling proposals being considered by the European Commission. Page 18

Brazil's exchange rate policy

since the turmoil in global financial markets faces a crucial test on Wednesday, when São Paulo state tries to privatise electricity company CPFL. Page 19; Brazil: currency volatility. Page 25

The UK's Takeover Panel

has asked the European Commission to drop its proposal for a law regulating takeovers in the European Union, after advice that it breaches EU law. Page 8

Haitian, South Korean confectionery producer

has joined the growing list of the nation's conglomerates filing for bankruptcy protection amid worries that large retail group New Core may soon follow. Page 19

Tobacco manufacturers have accused the UK government

of attempting to bypass parliament by agreeing to an European Union directive banning almost all forms of tobacco advertising and promotion. Page 8

Amvescap, the \$191bn independent fund management group

which is based in Atlanta but domiciled and listed in the UK, is campaigning for a full listing in New York as well as London in order to increase liquidity in its shares. Page 19

US retail investors, far from being deterred by last week's share price fluctuations

are enthusiastic about the market's prospects said a survey by investmentNews. Page 6

Truckers' strike action threatens to undermine business confidence

Roadblocks set up in France

By Robert Graham in Paris

French truck drivers began setting up roadblocks across the country yesterday, plunging Lionel Jospin's Socialist-led government into its first serious industrial relations challenge. The blockades began from early morning. By nightfall they were operating in key areas near Bordeaux and Lyon under the control of militant truckers. The Jospin government showed no inclination to establish "safe corridors" for haulage transit, as requested by France's main trading partners. The blockades began after a

confused weekend of negotiations which saw the largest employers' group walk out of talks on Saturday but a smaller grouping sign an outline deal with four unions early yesterday. Truck movement today across French frontiers, as well as through ports including Calais, is expected to be blocked, marooning many international freight carriers. The truckers' action threatens to be more disruptive than the two-week nationwide blockade a year ago, and risks undermining business confidence at a crucial moment of France's economic recovery. Employers, rattled by

the government's promise to introduce a 35-hour week, will watch to see if Mr Jospin sides with the unions. A member of the CFDT, the main truckers' union, said: "We have learned the lessons of 1996 and we know exactly where the sensitive points are." Stefan Levesque, spokesman for the FNTR, which represents the larger hauliers, said the unions had been preparing the blockade for weeks. "The leaders have either no wish to hold the militants back - or things have gone too far to stop them," he said. Truck owners and drivers were

divided among themselves, creating confusion in a fast-moving situation. The FNTR, which accounts for almost half the haulage companies in France, walked out of the negotiations on Saturday in no mood to compromise. "All along we have felt the unions have wanted a showdown," said Mr Levesque. Unotra, which represents the small trucking companies, broke ranks and signed an outline deal negotiated with four truckers' unions early yesterday with government intervention. This envisaged an immediate

Continued on Page 18

Saudis struggle to pay for \$7.5bn airliner order, claim bankers

By Robert Corzine and Michael Stappin in London

Saudi Arabia is struggling to pay for a politically sensitive \$7.5bn aircraft order from the US, according to bankers in Riyadh. The order for 61 Boeing and McDonnell Douglas aircraft was made two years ago after pressure from Washington, which saw the purchase as Saudi repayment for US military action during the Gulf war. Bill Clinton, the president, telephoned King Fahd at the time, urging him to favour the US companies over European rivals, Airbus Industrie. Deliveries were due to begin

proposal, funds would be channelled to Saudi Arabia to enable it to buy the aircraft. The government could then privatise the airline to "recapture" its capital, said one banker. Other bankers described such a scheme as "off the wall" because it would take at least "three to five years to whip the airline into shape" for privatisation. Western diplomats said morale at the airline was low. Its finances had been strained in part because many of Saudi Arabia's 6,000 princes insisted on travelling free of charge. "The Ministry of Finance will have to help, and pretty soon, because they have their backs against the wall," said one banker. Another plan would be for the government to repay debts owed to Saudi commercial banks, which could lend the funds to the airline.

The lack of a decision is evidence of "just how tight the government's finances are", according to a Riyadh-based diplomat. He said that relatively high oil prices had probably left the Saudis "a couple of billion dollars ahead" of earlier budget estimates. Nonetheless, he added that the Saudis were still finding it difficult to come up with the money on time. The order is for 23 Boeing 777-200s and five 747-400s. The Saudis also ordered four McDonnell Douglas MD-11 freighters and 29 MD-80s. The future of the McDonnell Douglas models is in doubt following the Boeing takeover, with Boeing expected to announce today whether it intends to continue manufacturing the two aircraft. In the short term, a delay in deliveries to Saudi would not hurt Boeing as it struggles to keep up with airline demand. The company last month suspended production of its 747 and 737 models for a month and announced a \$1.6bn write-down to take account of its production difficulties. But given the size of the order, long-term Saudi difficulties in paying for the aircraft would be a significant blow to Boeing.



King Fahd: urged by Bill Clinton to give order to US companies

this year, but Boeing said no aircraft had yet been handed over to Saudi, the Saudi airline. Boeing, which took over McDonnell Douglas earlier this year, refused to comment on whether the Saudis were having difficulty paying for the aircraft. "If there were difficulties, they would be kept between us and the airline customer," the company said. But one Riyadh-based banker said: "They are struggling to put together a financing package." Bankers said several schemes had been put forward to solve the problem. One involved the Public Investment Fund, which received dividends from the government's shareholding in Sabic, Saudi's petrochemical group. Under the



An Indonesian policeman stands guard in Jakarta yesterday outside Bank Harapan Santosa, one of 16 ailing banks closed by the government over the weekend. The closures were the first step in a reform programme backed by the International Monetary Fund and other lenders in return for more than \$37bn in assistance as a defence against currency attacks. Page 18

Washington considers the military options over Iraq

By Gerard Baker in Washington

Pressure mounted in the US yesterday for military action against Iraq in response to Baghdad's decision to expel American representatives from a UN team of weapons inspectors. France and Russia cautioned the Clinton administration against military strikes, and the Cairo-based Arab League said its member states were also opposed to a military solution.

But the White House accused the Iraqi government of "blatant disregard" for the United Nations in interfering with the experts overseeing the elimination of Iraq's weapons of mass destruction. Barry Triv, deputy White House press secretary, said the UN Security Council was weighing its options in response to the action.

In a rare display of political unity, the entire congressional leadership said it would back any military action by the US to force Iraq to abandon its opposition to the US inspectors.

"We should take whatever steps are necessary to enforce the rules," said Newt Gingrich, Republican Speaker of the House of Representatives. Asked if that included military action, he replied: "Absolutely."

Trent Lott, the Senate majority leader, condemned the latest moves by Iraq's president, Saddam Hussein. "I suspect that something will have to be done relatively soon," he said.

The Democratic leaders in the Senate and the House also agreed action might be necessary.

Bill Richardson, US ambassador to the UN, stressed that while all options were being considered, the dispute was principally about the authority of the United Nations. "This is not a fight between the United States and Iraq," he said. "This is Iraq confronting the United Nations and Security Council violations."

In Baghdad, officials stood by their pronouncement that US inspectors would not be allowed to participate in the weapons examination set to resume today. Last week Iraq ordered 10 American members to leave the country by Wednesday. "On Monday

Continued on Page 18

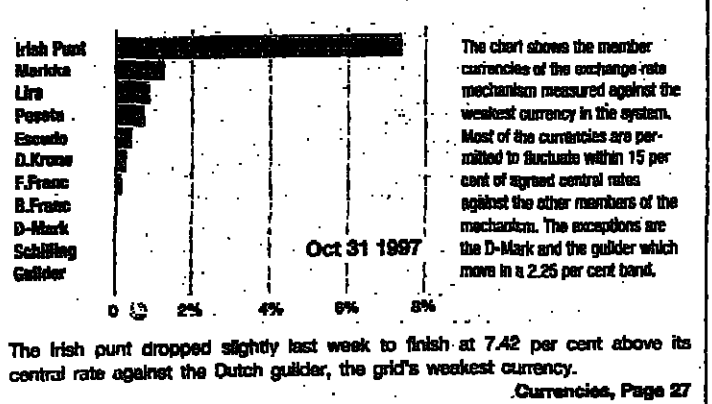
It's a Cinven fact

Our directors
have worked for
19,686,000 minutes
in the venture
capital industry -
up to midnight
last night.

(That's 966,000 more than the
last time you saw this ad).

Cinven *Still the freshest*

Markets



© THE FINANCIAL TIMES LIMITED 1997 No.33,438
London • Leeds • Paris • Frankfurt • Stockholm • Madrid • New York
Los Angeles • Tokyo • Hong Kong

Index	1st Oct	2nd Oct	3rd Oct	4th Oct	5th Oct
FTSE 100	10,120	10,150	10,180	10,210	10,240
DAX	1,200	1,210	1,220	1,230	1,240
Nikkei	15,000	15,100	15,200	15,300	15,400
Hong Kong	10,000	10,100	10,200	10,300	10,400
Shanghai	1,000	1,010	1,020	1,030	1,040
Hang Seng	10,000	10,100	10,200	10,300	10,400
ASX	1,000	1,010	1,020	1,030	1,040
NYSE	10,000	10,100	10,200	10,300	10,400
NYSE	10,000	10,100	10,200	10,300	10,400
NYSE	10,000	10,100	10,200	10,300	10,400

Inside

COMMENT & ANALYSIS
Indonesia and the IMF Editorial Comment, Page 17

THIS WEEK
What does a US mayor do? FT Guide, Page 10
Crime Affair style Dateline, Page 10
Germany's taxpayers revolt Economic notebook, Page 10

MANAGEMENT
US employers and childcare Management, Page 12

BUSINESS EDUCATION
Keeping students happy Business Education, Page 13

MARKETING & MEDIA
Procter & Gamble cuts a dash Marketing, Page 11

TRAVEL
BA keeps bags on passengers Business Travel Page 14
Fear of frequent flying Business Travel Page 14

NEWS: EUROPE

European Bank for Reconstruction and Development says fillip provided by improving performance in Russia

East Europe economies set to turn corner

By Kevin Done,
East Europe Correspondent

East Europe and the former Soviet Union are set to experience their first year of pan-regional economic growth since the collapse of communism. After seven years of continuous decline in gross domestic product, growth this year is forecast to reach 1.7 per cent, with economic contraction finally ending in Russia. The rate of growth is forecast to accelerate to 3.5 per cent in 1998.

The growth performance is uneven but 11 of 26 economies across the region are now growing at rates of 4 per cent or more.

The turnaround is largely due to the improving performance of Russia, which is likely to register in 1997 its first year of mildly positive growth,

according to the 1997 Transition Report published today by the European Bank for Reconstruction and Development.

Growth in east Europe (excluding the former Soviet Union) has slowed for the third year in a row, however, with Albania, Romania and Bulgaria experiencing setbacks.

The EBRD forecasts higher growth in east Europe in 1998 at 4 per cent on a weighted average compared with 3.1 per cent this year, and says that there are good prospects for positive growth in the former Soviet Union as a whole next year, with a more solid recovery in Russia.

It forecasts GDP growth in Russia of 3 per cent next year compared with 1 per cent in 1997.

Inflation has continued to fall in most countries in the region, with countries having reduced the rate of

inflation to below 10 per cent a year and 18 to less than 30 per cent.

But the macroeconomic position remains fragile in many countries, with budget deficits growing in many parts of the former Soviet Union, and current account deficits rising across the region.

External accounts have deteriorated sharply during the past two years, with growth in many of the advanced countries of east Europe currently being driven by domestic demand and especially by private consumption.

Almost half of all the transition economies have current account deficits exceeding 7 per cent of GDP, financed by growth in inflows of foreign private capital.

Net private capital flows into the region have surged in the past two years and could exceed \$55bn this year,

reflecting growing confidence.

The EBRD warns, however, of the dangers of injudicious lending to the region, which still suffers from fragile markets and poor information. Lending margins to the region have been squeezed, but according to the bank recent low yields on transition economy debt are partly explained by

excess liquidity in the international capital markets rather than just by falling perceptions of risk.

"In some cases the yields may look unrealistically low in relation to the risks involved," says the report.

The inflows "can bring their own problems. There is a danger of overheating, of excessive real exchange rate appreciation and of volatility," says the report. A Czech currency crisis this year indicated the risks.

Foreign direct investment has contin-

ued to flow into the region at a rapid pace, with Poland becoming the main recipient last year, replacing Hungary, which had led the field since 1993.

The pace of investment has accelerated again this year, with Poland and Russia each set to attract a quarter of the estimated total foreign direct investment of \$18bn for the region. Next year, regional foreign direct investment is forecast to rise to more than \$20bn.

However, international competitiveness in manufacturing declined in several countries in 1996 and 1997, driven by a combination of real wage increases outstripping gains in productivity and continuing appreciation in real exchange rates.

According to the EBRD study, the average increase in unit labour costs in D-Mark terms in the advanced coun-

tries of east Europe last year was 9 per cent compared with a 1 per cent fall in Germany.

In hard currency terms wages remain low compared with west Europe, however, and the report claims that there is little evidence that so far the increase in labour costs has damaged exports in general.

It can have an impact on the confidence of international investors, however. The rapid rise in real wages against a background of stagnating industrial productivity played a significant role in the Czech currency crisis earlier this year, says the EBRD.

The 1997 Transition Report. Available from EBRD Publications Desk, 1 Exchange Square, London, EC2A 2EH, UK. Tel: 44-171-338-9090. Fax: 44-171-338-6102. Website: <http://www.ebrd.com>

Transition still painful for those in new markets

Many people's living standards have risen but corruption and poverty need to be tackled, particularly in former Soviet Union

Corruption is more pervasive in the former communist economies of east Europe, in particular the former Soviet Union, than in any other region of the world, according to the EBRD's Transition Report.

Poverty has also risen "dramatically" during the difficult transformation of command economies to a market system, despite the fact that living standards have improved for many people.

Income inequality has "increased substantially throughout the region", while poverty rates have climbed steeply in the former Soviet Union as a result of falling incomes, dislocation of employment and reduced or badly directed social transfers, says the study.

Income inequality in Russia as well as in some other countries of the Commonwealth of Independent

States (the former Soviet Union minus the Baltic states) and in Bulgaria had "shot up dramatically from moderate levels to levels typical of the more unequal developing countries such as Thailand and Mexico".

Along with rising poverty have come increases in many of the transition countries "in health problems and social maladies, includ-

ing dramatic increases in deaths from heart disease, higher suicide rates, and the spread of infectious diseases".

Life expectancy in a number of countries, most notably in Russia, has dropped sharply, apparently due in part to higher stress and deterioration in the provision of public health ser-

ices. In Russia average life expectancy for men in 1995 at 58.3 years was three years below India and a "stunning" six years lower than at the start of transition.

The EBRD says that the problem of corruption merits special attention.

Entrepreneurs operating in the CIS countries face both high levels of corrup-

tion and unpredictable government policies.

In a recent global survey of more than 3,600 entrepreneurs in 69 countries, local businessmen were asked whether it was common in their line of business to have to make some "irregular additional payments in order to get things done".

Within 10 countries in the

former Soviet Union 65 per cent of respondents said this was frequently, mostly or always true.

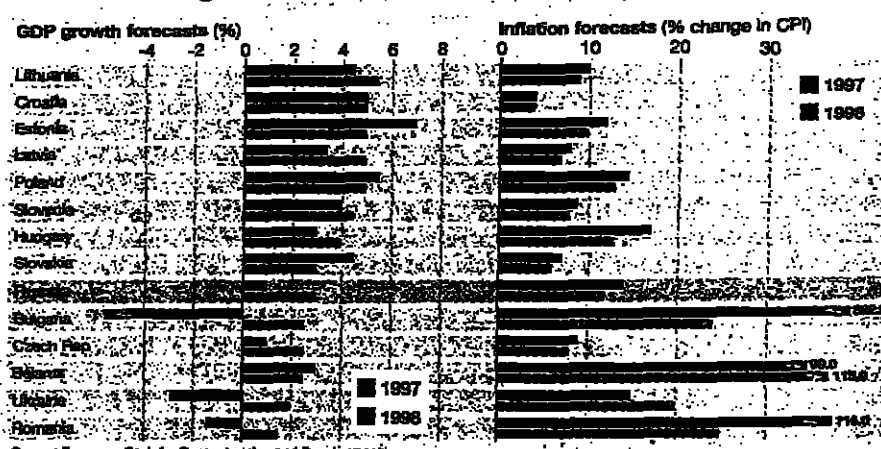
The regional average for the CIS was 15 percentage points higher than in the next highest region, sub-Saharan Africa and 24 per cent higher than in Latin America.

Corruption has also become highly predictable in the CIS both in terms of payment levels and the delivery of agreed services, which is in stark contrast, says the EBRD report, with the lack of predictability and credibility in government policies in the region.

Entrepreneurs in the region have to deal much more frequently with unexpected changes in rules, laws and policies which materially affect their businesses than in any other region of the world.

When entrepreneurs were asked to rank the most sig-

On track for growth



Source: European Bank for Reconstruction and Development

nificant obstacles to doing business in their countries, the CIS was the only region in which policy instability and corruption ranked together in the top three, says the report.

"Managers in the CIS appear to rely upon corruption - transactions, which they regard as highly predictable and credible - as a means of hedging against the risks associated with the instability of government policy, much as they did under central planning," according to the study.

The EBRD says that if economies in the region are to launch themselves on a path of rapid, sustained growth, they must enhance

the effectiveness of institutions that support the market "in particular by reducing the legacy of bureaucratic interference and corruption that undermines investment and competition."

A new phase of transition is beginning according to the bank.

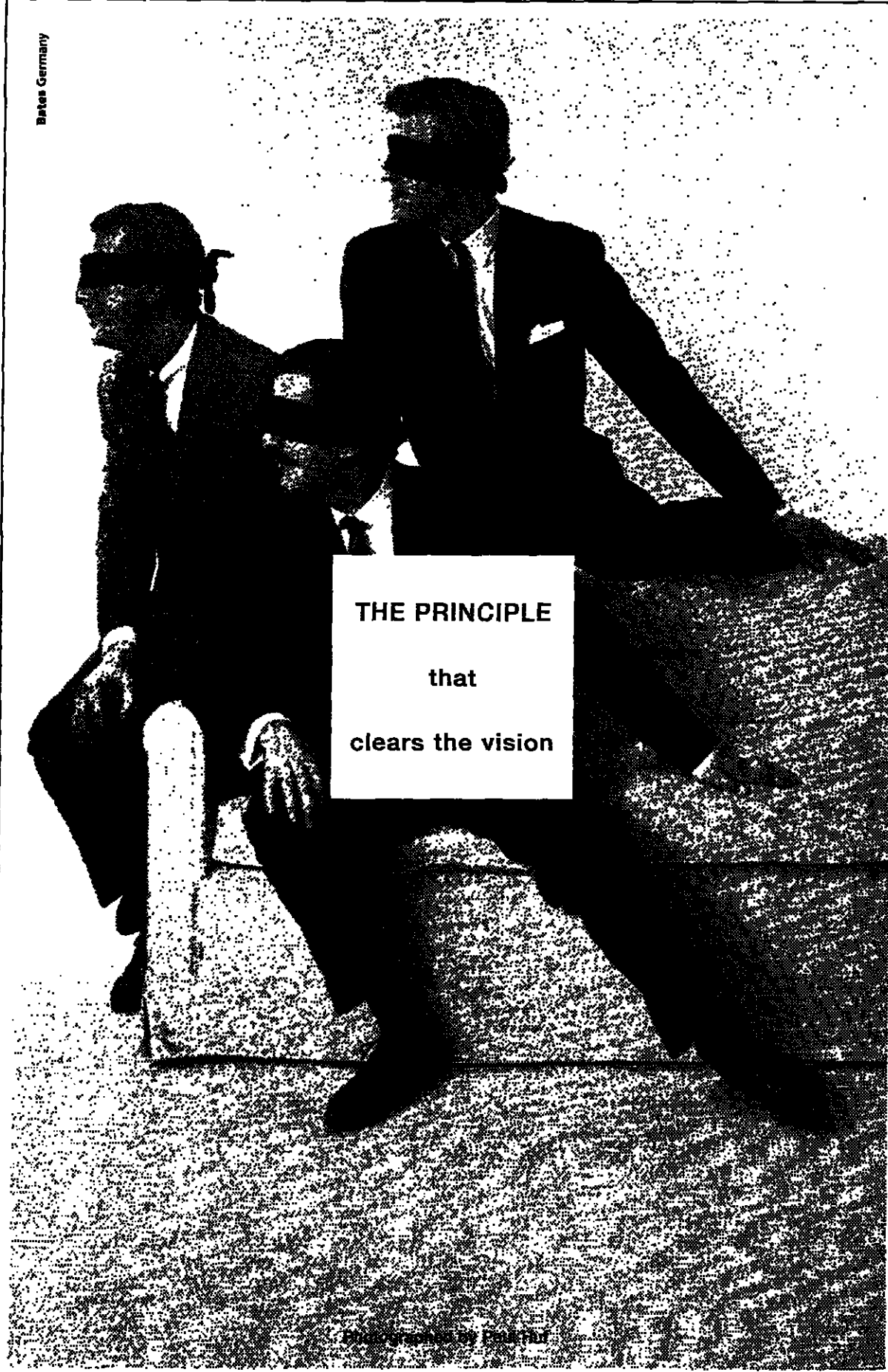
Countries in the region had established many of the basic elements of a market economy but "there are serious risks ahead".

There are great disparities in the transition to a market economy across the region according to the report. Bulgaria, Romania, Azerbaijan and Georgia have made impressive advances in the

past year, but there has been "back-tracking on reform" in Belarus, Slovakia and Uzbekistan, while reforms in Ukraine had been at a standstill.

With growth returning to the region the central challenge of transition for all of the former communist countries is to build "the governance and institutions which will underpin a well-functioning market economy... good governance and institutions will deliver effective and competitive markets, which in turn will deliver restructuring and sustained growth," says the report.

Kevin Done



THE PRINCIPLE
that
clears the vision

Far-sighted encounter with the euro: our know-how lifts the veil.

■ The euro is on its way. On January 1, 1999, exchange rates of the EU members will be fixed. And the European Central Bank in Frankfurt takes on stewardship of the new common currency. Germany's prominence as a financial center is thus destined to further increase. ■ From its Frankfurt headquarters, DG BANK is ideally positioned to help business gain a clear-sighted view of the complex Euromarket. And with a presence in the world's major regions of economic activity, it offers local expertise in a global context. To unmask opportunities, and generate tailor-made concepts. ■ Here too, DG BANK operates by a principle that makes every customer a partner in a singular way. We call it the WIR PRINZIP, to which DG BANK and its staff are wholeheartedly committed. It is rooted in the classic tradition of the cooperative system linking equal business partners. And it has a great future. Because it exemplifies the central idea of partnership: mutual cooperation leads to mutual success.

THE WIR PRINZIP

Head Office: DG BANK, D-60265 Frankfurt am Main, Germany. Offices in: Amsterdam, Atlanta, Bombay, Budapest, Cayman Islands, Hong Kong, Johannesburg, London, Luxembourg, Milan, Moscow, New York, Paris, Rio de Janeiro, Shanghai, Tokyo, Warsaw, Zurich. Opening soon: Bangkok, Jakarta, Madrid, Mexico City, Peking, Prague, Seoul, Taipei.

DG BANK

NEWS: EUROPE

Russia and Japan in peace pledge

By Chrysis Freeland
in Moscow

The leaders of Russia and Japan vowed to sign a peace treaty by 2000, following a ground-breaking summit meeting in Siberia which could end a century of war and mistrust between the two Asian giants.

"This is a major breakthrough in relations between Russia and Japan," Boris Yeltsin, the Russian president, said after two days of talks with Ryutaro Hashimoto, the Japanese prime minister, near the Siberian city of Krasnoyarsk.

The president and I have agreed to make maximum efforts to conclude a peace treaty by the year 2000," Mr Hashimoto said at a summit officials on both sides described as historic.

A territorial dispute over islands known as the Southern Kuriles in Russia

and the Northern Territories in Japan has prevented the two countries from formally ending their second world war hostilities.

The conflict over the islands, which were seized by Soviet troops in the final days of the war, has cast a broader pall over Russo-Japanese co-operation in everything ranging from business to politics.

Although the two leaders offered no details on how

they proposed to settle the vexed issue of sovereignty over the islands, their pledge to reach a deal on the territorial issue signalled an improved relationship in a number of other spheres.

Mr Hashimoto, who concluded the weekend by hugging and kissing Mr Yeltsin, said his administration would support Russia's entry into the Asia Pacific Economic Co-operation forum (Apec).

The two leaders also pledged increased co-operation on a wide range of trade, energy, transport and military issues, including visits between chiefs of general staff and possible joint army exercises for humanitarian missions.

Mr Yeltsin said the summit signalled Russia's effort to develop closer ties with its Asian neighbours.

Japanese officials said that a treaty with Russia would

profoundly affect the balance of power in Asia.

But diplomatic footwork will be required over the next two years.

Boris Nemtsov, first deputy prime minister and the cabinet member in charge of relations with Japan, strongly played down the possibility of a Russian surrender of the disputed islands, which are a rallying point for nationalist feeling in both Russia and Japan.

Germany's pension policy faces backlash

By Ralph Atkins in Bonn

The German government yesterday faced a fierce backlash from industry and its own political supporters after lifting state pension contributions by employees and employers to a record high.

Hans Olaf Henkel, president of the German industry association, told Welt am Sonntag newspaper that the government's pension policy was a "complete disaster". His comments followed the surprise announcement late last week that pension contributions would rise from 20.3 per cent of gross wages to 21 per cent next year.

The force of the protest highlights not only fear about the impact on labour costs and jobs but widespread frustration in industry at Bonn's failure to implement economic reforms. Guido Westerwelle, general secretary of the Free Democratic party, junior member of the centre-right Bonn coalition, said the rise was "catastrophic news" for German competitiveness. He

called for renewed talks on pension reforms.

But the government has run into difficulties even with relatively modest changes to Germany's pay-as-you-go pension scheme. The Bundestag, or lower house of parliament, agreed on Friday government proposals which would use funds raised from a one percentage point increase in VAT to help relieve overburdened pension funds. But the proposal is likely to be blocked in the Bundestag, the second chamber, which is controlled by the opposition Social Democratic party.

The SPD opposes government plans to curb the level of state pensions and has proposed its own pension reform scheme. Norbert Blum, federal labour minister, yesterday said "simple party political tactics" were at play. But the strength of the weekend's criticism could help forge cross-party support for controls on low-paid jobs, paying less than DM610 (\$346) a month, which are not liable to social insurance contributions.

Greek and Turkish leaders to discuss Aegean tensions

By Kerin Hope
in Agia Pelagia, Crete

Costas Simitis and Mesut Yilmaz, the Greek and Turkish prime ministers, are to meet for the first time today in Crete on the margins of a Balkan summit aimed at promoting good relations in the region.

Tensions in the Aegean have increased in recent weeks, marked by mock dogfights between Greek and Turkish military aircraft and a near-collision between Greek and Turkish warships.

According to a senior Greek official, "no spectacular breakthrough" is expected from the

talks. Mr Simitis will try to re-activate July's Madrid declaration in which he and President Suleyman Demirel of Turkey pledged to seek peaceful ways of resolving bilateral disputes.

"It would be a step in the right direction if there was a friendly and constructive exchange of views," the official said. Greece still insists that Turkey agree to international arbitration for disputes over sovereignty in the Aegean before it lifts a veto on EU financial aid to Ankara, he added.

Turkey wants open-ended talks on disputes over air, sea and seabed rights that have plagued rela-

tions between the two Nato allies since the 1970s.

Any improvement in Greek-Turkish relations before EU accession talks with Cyprus next April would give a boost both to hopes of reuniting the island and to Turkey's troubled relationship with the EU.

Mr Simitis yesterday emphasised Greek determination to promote regional stability and economic co-operation as he welcomed the Balkan leaders arriving on Crete. The meeting also brings together representatives from Albania, Bulgaria, Macedonia, Romania and Serbia.



A Greek anti-terrorist policeman stands in front of a Turkish flag at Heraklion airport on eve of Balkan summit in Crete

INTERNATIONAL NEWS DIGEST

Probe takes heat off individuals

The US Senate committee investigating alleged campaign finance abuses in last year's elections is unlikely to recommend that specific charges be brought against individuals, its chairman said yesterday.

"There will be some referrals made to the Justice Department when appropriate," said Senator Fred Thompson. "It will not be specific recommendations," he added. Any decision on criminal charges would be made by the Justice Department, the senator added.

On Friday Senator Thompson called an unexpected end to his committee's hearings on the subject, after he failed to persuade the Senate leadership to agree to an extension of the committee's deadline of the end of this year to complete its inquiry. The investigation began as a potentially explosive inquiry that threatened to cause embarrassment to President Bill Clinton and Al Gore, the vice-president, as well as leading Republicans over their zealous fundraising last year. But it soon descended into partisan squabbling.

Gerard Baker, Washington

■ SWISS SOLIDARITY PRIZE

Offer of aid to prevent poverty

In an attempt to repair its tarnished international image, Switzerland plans to offer an annual SF1m (\$680m) prize for organisations which help solve and prevent poverty and violence around the world.

The "Solidarity Prize" is the highlight of the Swiss government's proposed Solidarity Foundation, which will be financed by profits from SF1.7bn of the country's gold reserves. The fund, which still has to win the backing of the Swiss electorate, will concentrate on four areas in Switzerland and abroad: preventing the growth of poverty and violence; helping children; rebuilding destroyed social structures; and reconciling tensions and conflicts. It will support existing relief agency projects and campaigns where there is an obvious gap.

Switzerland announced the proposed foundation in March after mounting criticism of its wartime role financing Nazi Germany.

William Hall, Zurich

■ CZECH PRESIDENT

Havel back in hospital

Vaclav Havel, the Czech president, has been taken to hospital after developing pneumonia.

Last week Mr Havel, 61, spent a night in hospital with a virus infection and then cancelled this week's planned visit to the UK. The former dissident suffered pneumonia when he was imprisoned under the communist regime and he had a recurrence when half his lung was removed in an operation to remove a cancer last December.

Yesterday doctors said he had been taken to hospital after his condition worsened and he became feverish.

In January Mr Havel is due to be re-elected for a second five-year term.

Robert Anderson, Prague

■ BANGLADESH TENSIONS

BNP boycotts parliament

The main opposition Bangladesh Nationalist party refused to attend the opening of the new session of parliament yesterday and called for a general strike in Dhaka, the capital, tomorrow. The party is protesting against what it alleges is government persecution of its members.

Tomorrow's day of action coincides with the opening of a two-day meeting in Dhaka of the Paris Club of donors who will decide on the level of next year's commitments to Bangladesh.

Donor countries, which between them last year pledged just under \$2bn in aid to Bangladesh, have been concerned about signs of increasing political tension in the country. The meeting precedes a two-day investors' conference organised to encourage foreign investment in Bangladesh.

Kasra Naji, Dhaka

■ VENEZUELAN POLITICS

Congressmen side with Fermin

Acción Democrática (AD), Venezuela's largest political party, lost seven congressmen late last week after they joined forces with rebel presidential candidate Claudio Fermin, who was ousted from the party last month for criticising the party leadership as unrepresentative.

Because of the defections, AD is now thought to be less able to oppose controversial government legislation.

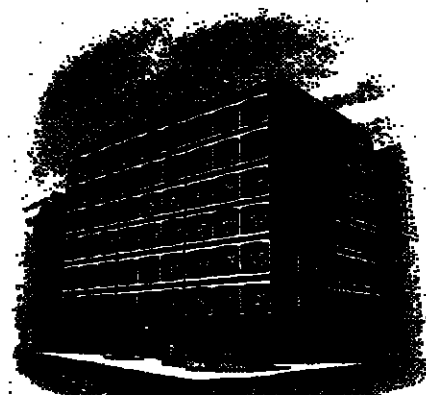
Their departure is a further blow to AD after the departure of Mr Fermin and could shift the balance of power in the lower house, where a handful of key reform bills await approval. For the past three weeks AD has been filibustering an electoral reform law, which would help guarantee a more transparent electoral process before next year's presidential election.

According to some political analysts, Mr Fermin could take with him between one-quarter and one-third of AD's voter base. Mr Fermin, former mayor of Caracas, is second in the opinion polls to Irene Méiz, a former Miss Universe who is now a mayor.

Raymond Collin, Caracas

Global Private Banking

WHEREVER YOU GO, WHEREVER
YOU MAY BE, YOU'LL FIND THAT
REPUBLIC SPEAKS YOUR LANGUAGE.

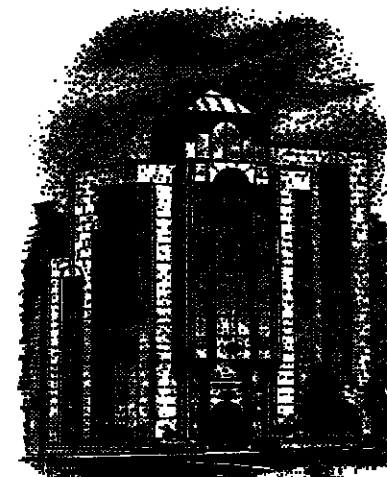


Headquarters of Republic National Bank of New York (Swiss) S.A. in Geneva.

Our multilingual account officers are at your service in some three-dozen financial centres around the world. And though they speak many different languages, all are committed to one fundamental principle: to protect our clients' capital as we safeguard its purchasing power.

It is a simple principle upon which we base our brand of financial conservatism: private banking built upon rigor, discipline and prudence. This sophisticated conservatism, vigorously pursued, has created a global private bank of exceptional stability, capable of weathering the roughest storms.

To our way of thinking, it is security as well as return that we must ensure each day. And in the process, to provide a unique quality of service, understanding and discretion.



Headquarters of Republic National Bank of New York (Luxembourg) S.A. in Luxembourg.



Republic National Bank of New York™

Strength. Security. Service.

Luxembourg - 32, Boulevard Royal - Tel.: (+352) 47 07 11 - Fax: (+352) 47 93 31 226
Geneva - 2, Place du Lac - Tel.: (+41 22) 705 55 55 - Fax: (+41 22) 311 99 60

Zurich - 5, Paradeplatz - Tel.: (+41 1) 215 55 55 - Fax: (+41 1) 215 55 56

Monte Carlo - 17, Avenue d'Ostende - Tel.: (+377) 93 15 25 25 - Fax: (+377) 93 25 82 15

A Safra bank • New York • Geneva • London • Beijing • Beirut • Beverly Hills • Buenos Aires • Cayman Islands • Copenhagen • Encino • Gibraltar • Guernsey • Hong Kong • Jakarta • Los Angeles • Lugano • Luxembourg • Manila • Mexico City • Miami • Milan • Monte Carlo • Montevideo • Montreal • Moscow • Nassau • Paris • Punta del Este • Rio de Janeiro • Santiago • Sao Paulo • Singapore • Sydney • Taipei • Tokyo • Toronto • Zurich

© Republic National Bank of New York, 1997

NEWS: INDONESIA REFORMS

Move on banks gets a mixed reception

The Indonesian government's closure of 16 private banks at the weekend was criticised in some quarters as a token gesture, but was praised in others as a decision of unexpected firmness.

Economists pointed out that the banks were relatively small and might not have survived the financial crisis that has swept across Indonesia since last summer.

At the same time the government has confounded sceptics by putting together a reform programme which appears to curtail market distortions that had been maintained largely for reasons connected with political patronage.

Ministers announced last Friday that the government

would phase out support for a national car, assembled by a company controlled by the son of President Suharto.

A network of trading monopolies that funded close associates of the president and his family is to be deregulated.

Import tariffs that pro-

hibited foreign investment in the oil and gas sector are to be removed.

Some financial analysts said that investors would have welcomed a clearer sign from the government that it intended to police the financial sector more rigorously.

Mr Suharto has faced

Reform programme appears to curtail market distortions

tected powerful industries are being cut.

But the vague wording of the reform package left some wondering whether the government had exaggerated its scale to please foreign donors, or played down the painful steps it was taking

numerous riots during his 30-year tenure of office, and some of the worst were caused by students who accused him of selling out to foreign investors.

Indonesia has announced annual deregulation packages in recent years, but

many steps were undermined by exemptions and contradictory legislation.

But never before in his rule has Mr Suharto faced such a downturn both in economic terms and in terms of public confidence. While economists talk of a slowdown in growth, many Indonesians talk of collapse and recession.

Indonesia was swept along in the rout on the south-east Asian markets last summer, but opted to float the rupiah in August rather than waste its \$20bn of currency reserves on defending it. To curb a run on the currency, it raised interest rates and transferred state pension funds from commercial banks to the central bank. This caused such hardship

for commercial banks and affiliated enterprises, however, that the government felt forced to announce reforms in early September, with many of the pledges repeated under the agreement with the IMF.

It delayed \$13bn in infrastructure projects to cut budget expenditure and curb the widening current account deficit.

But the moves failed to persuade investors, who had been scared off by a continuing slump in south-east Asia and by reports that Indonesia's banks and enterprises were much deeper in debt than had earlier been reported.

On October 8 Mr Suharto gave in to a lobby of reformist ministers and advisers

and called in the IMF. Indonesia indicated it did not need much funding but was looking for a stamp of approval.

However, the IMF, under fire in Washington for bailing out reckless governments and investors, required more than the government had thus far been prepared to give - bank liquidations, improved monitoring of commercial banks, and an end to trade monopolies and tax benefits for well-connected enterprises.

Negotiators presumed that the political pain this required could only be softened by a large aid package of the kind that took shape last Friday and Saturday.

Sander Thoenes

Widjojo credited for persuading Suharto to agree to IMF terms

Magic arts of Jakarta's 'witch-doctor'

By their own admission, negotiators of the International Monetary Fund, World Bank and Asian Development Bank played their "highest-stakes poker game ever" when they set tough conditions for a huge aid package to Indonesia.

They were lucky to be playing with Widjojo Nitisastro. No mean poker player himself, the chief negotiator for the Indonesian government nevertheless shares the IMF's outlook on the world as much as any Indonesian official.

Mr Widjojo takes much of the credit for persuading President Suharto to call in the IMF and agree to most of its conditions. "He is a witch-doctor," one Indonesian consultant said in awe.

Mr Widjojo turned 70 in September, just as his country faced one of its most severe crises since Mr Suharto came to power in 1967. He and a group of economists, nicknamed technocrats for their disdain of politics, have helped Indonesia to weather them all.

Pushed to the sidelines in recent years, they returned when the rupiah started sliding in August and dragged the state audit board and the co-ordinating ministry for finance and development are still held by members of the same group.

"He has never really left office," said Ali Alatas, Indonesia's foreign minister. "He has been held in such high esteem, not just by his peers but also by the president."

"He is always asked for advice. The economists still hold sway in the cabinet."

Some doubt that Mr Widjojo will keep a say in the country's economic management now that the aid package has come through. "He was brought in as a bit of a showpony," one diplomat said.

Sander Thoenes

pany in 1975 persuaded Mr Suharto to invite them back. They seemed to be on their way out again in the early 1980s when the oil price suddenly dropped, forcing Mr Suharto to ask them how to make up for the loss of revenue. In action in 1982, when the country faced a sudden outflow of funds, they seemed to have lost out for good in 1983 to Mr Suharto's children and a few powerful protégés, notably Yusuf Habibie, minister for science and technology.

Widjojo, however, as many Indonesians called it, gave way to Habibie's economics, a combination of nationalism, protectionism and lavish

'The technocrat group is at its best in times of crisis'

funding for high technology projects.

When Mr Widjojo nominally retired he was appointed adviser to the president, along with Ali Wardhana, a Berkeley colleague. The central bank, the state audit board and the co-ordinating ministry for finance and development are still held by members of the same group.

"He has never really left office," said Ali Alatas, Indonesia's foreign minister. "He has been held in such high esteem, not just by his peers but also by the president."

"He is always asked for advice. The economists still hold sway in the cabinet."

Some doubt that Mr Widjojo will keep a say in the country's economic management now that the aid package has come through. "He was brought in as a bit of a showpony," one diplomat said.

"He is well known internationally. But if he is so good, why wasn't he around when economic policy was bad?"

Sander Thoenes

SGS Société Générale de Surveillance Holding S.A. Geneva

Public offer to repurchase SGS bearer shares of par value CHF 100 each and registered shares of par value CHF 20 each, in order to reduce the Company's share capital by a maximum of 10%, equivalent to a reduction of a nominal value of CHF 17,209,500. This offer is made pursuant to the announcement on October 16, 1997 of the Company's intention to repurchase (buy back) and cancel up to 15% of its share capital over a two year period.

Repurchase offer Pursuant to the decision of the Board of Directors, taken on October 30, 1997 and announced on October 31, 1997, SGS Société Générale de Surveillance Holding S.A. ("Company") offers to its shareholders to repurchase their bearer shares and registered shares up to a maximum par value of CHF 17,209,500 for subsequent cancellation. The Board of Directors intends, at a subsequent shareholders meeting, to propose that the share capital of the Company be reduced by the nominal value of the bearer and registered shares which have been repurchased from the Company's shareholders pursuant to this offer, and any such future offers.

Repurchase price per bearer share CHF 3,000 gross repurchase price
CHF 1,015 less Swiss withholding tax (35% of CHF 2,900)
CHF 1,985 net repurchase price

Repurchase price per registered share CHF 600 gross repurchase price
CHF 203 less Swiss withholding tax (35% of CHF 580)
CHF 397 net repurchase price

Offer period From November 3 to November 10, 1997, 12 a.m., Swiss time (receipt).

Notification Shareholders should contact their respective banks or one of the offices in Switzerland of Union Bank of Switzerland to accept the offer of repurchase.

Bank in charge of the settlement Union Bank of Switzerland, 8021 Zurich.

Allocation If the total amount of the nominal value of shares notified for repurchase exceeds 10% of the Company's share capital (CHF 17,209,500), repurchases by the Company shall be proportionally reduced on the basis of the total nominal value of the shares notified for repurchase. Allocations shall be carried out via the banks on November 11, 1997.

Payment of repurchase price and delivery of shares Payment for the shares repurchased will be made against delivery of the shares with value date November 13, 1997 at the net repurchase prices (defined above) without deduction of any charges.

Taxation The shareholder who sells his shares to the Company is subject to tax and is responsible for ensuring that he is appropriately advised in respect of his tax position.

Swiss withholding tax

The tax is calculated as 35% of the difference between the gross repurchase prices (defined above) and the nominal value of the shares. The Company shall deduct the amount of the withholding tax from the gross repurchase prices for the account of the Swiss Federal Tax Authorities.

The Swiss Federal Tax Authorities have confirmed to the Company that shareholders are entitled to a refund of this tax provided they already owned the shares on October 30, 1997 and that they meet the other legal requirements for a refund.

Federal stamp duty

The repurchase by the Company of its own shares in connection with a reduction in capital is not subject to stamp duty on negotiation of securities.

Direct federal tax

If the shares form part of the personal assets of the shareholder, the sale of such shares to the Company constitutes, pursuant to the principle of direct partial liquidation, a taxable income equal to the difference between the nominal value of the shares and the gross repurchase price.

If the shares form part of the commercial assets of the shareholder, a taxable profit will arise equal to the difference between the book value and the gross repurchase price of the shares (principle of book value). The principle of direct partial liquidation has no influence on his tax situation.

Cantonal taxes

The cantonal income tax treatment depends on the cantonal tax in force at the taxpayer's residence or domicile. Most cantonal legislation follows the treatment applied for the direct federal tax (principle of par vs. book value). Whether or not the transaction is subject to a cantonal income tax in specific cases will depend on the ruling in the cantonal jurisdiction concerned.

Applicable law and place of jurisdiction This offer is governed by Swiss law and subject exclusively to the Geneva courts.

Geneva, November 3, 1997

SGS Société Générale de Surveillance Holding S.A.
The Board of Directors

	Swiss Sec. Code No	ISIN
SGS bearer share	249.746	CH0002497466
SGS registered share	249.745	CH0002497458

Japan pledges support for IMF accord

The Japanese government pledged its support at the weekend for the financial package agreed by the International Monetary Fund and the Indonesian government.

"Japan is ready to provide financial support for Indonesia's foreign reserves," said Hiroshi Mitsuzuka, finance minister.

He has instructed Eisuke Sakakibara, the deputy finance minister who was recently in Indonesia, to enter direct talks with Jakarta concerning the details of Japanese assistance.

Japan has been reluctant to take a leading role in regional financial support, preferring to act under the umbrella of international organisations, such as the IMF. The government has been cautious in its response to calls from certain Asian governments for a regional fund to provide assistance in the event of currency turmoil, such as that affecting Thailand and Indonesia.

However, Japan has a strong interest in ensuring stability in south-east Asian economies. Japanese banks are heavy lenders in the region, while trading companies and engineering companies have invested heavily in regional infrastructure projects. Japanese electronics manufacturers and car makers have huge business

interests in the region.

Indonesia is a particularly important market for car companies such as Toyota and Honda, and has been a critical part of their strategies for expansion in south-east Asia. Japanese car makers have invested heavily in the region, and have been hurt by the national car programme launched by President Suharto, which gives preferential tax treatment to a joint-venture car manufacturer in which President Suharto's son has been involved.

Indonesian compliance with World Trade Organisation rules, a condition put forward by the IMF, would be of huge significance to Japanese car makers.

Toyota and Honda both launched small "Asian" cars which are manufactured in Thailand but aimed at the regional market.

Sales of these cars, which had already been adversely affected by the national car project, were further damaged by Thailand's currency turmoil.

The Japanese economy is also dependent on south-east Asia as a huge export market for products ranging from electronic parts to construction equipment and engineering plants.

Michio Nakamoto

Neighbour's troubles provide an opportunity for Singapore City-state's aid offer shows the importance it attaches to Indonesia. James Kynge reports

Politicians trying to put a brave face on south-east Asia's financial crisis have often noted that the Chinese word for "crisis" incorporates a character which also means "opportunity".

As Indonesia signed up for a package of international aid last week, it was clear the situation yielded several opportunities for Singapore.

The sheer size of Singapore's offer to Jakarta - US\$50n (\$30n) in balance of payments support, and a possible further US\$50n to help prop up the rupiah - defines the importance of Indonesia to the small but wealthy city-state facing it across the Strait of Malacca.

With a population of nearly 200m, Indonesia is south-east Asia's biggest potential market.

Its political clout within the Association of South East Asian Nations, the region's top diplomatic club, is paramount.

It is also a military power which Singaporean officials know could one day be a threat.

"Most people were surprised by the size of the offer. But if you consider the possible political and economic dividends for Singapore, it is probably a very shrewd move," said one senior diplomat in Singapore.

Several large Singaporean companies, many of which are at least partly owned by the state, have recently embarked on ventures within Indonesia or are in negotiations to do so.

Observers said that the aid pledge would help open doors in a country where contacts - especially those with President Suharto and his family - are important to business success.



The offer of an aid package by Singapore prime minister Goh Chok Tong (left) to President Suharto of Indonesia (right) may have been an act of self-preservation.

A Singaporean consortium comprising the Fort of Singapore Authority (PSA) and Sembawang Maritime, a company with links to the government, is planning a joint venture to develop and manage a port 70km west of Jakarta.

The venture is part of PSA's strategy to diversify into overseas markets as costs at Singapore's port - the world's busiest - rise to levels at which competitiveness is threatened.

Arcasia Land, a subsidiary of the government-linked Jurong Town Corporation, announced last week that total investment in a 240-hectare high technology park in West Java would come to US\$250m.

Work started on the park last week. Keppel Land, part of the government-linked Keppel Corp, is negotiating to take a significant stake in an Indonesian property company, executives said.

The forces behind such

have been self-preservation.

"If Indonesia went badly wrong, Singapore would be a major loser," said Hugh Peyman, managing director of Dresner Kleinwort Benson in Singapore.

Indonesia provides the flow which makes the entrepot economy work.

Many of the ethnic Chinese tycoons who control Indonesia's biggest corporations have for years regarded Singapore, the only south-east Asian country with an ethnic Chinese majority, as a safe haven.

They have poured savings into Singapore's "big four" banks, become a dominant force in the local market for luxury apartments, and bought up troubled Singaporean companies.

Indonesian freight helps keep Singapore's port busy, its collectors are the main buyers in a blossoming art market, and its tourists frequent the many designer clothes, perfume and accessory outlets in Singapore's vast shopping malls. There is also evidence that the booming private banking businesses of foreign and Singaporean banks in the city-state have lent heavily to Indonesians in US dollars.

Exposure to these loans is now considered extremely risky because of the rupiah's sharp decline against the US dollar.

Banking analysts said that any wave of defaults on such loans could hit Singapore's financial sector hard.

This fall-out would be particularly unwelcome because it might undermine Singapore's cherished ambition to build on its success as south-east Asia's financial centre, eventually eclipsing Hong Kong.

to review
reference of
currency

HK to review defence of its currency

By John Ridding in Hong Kong

Hong Kong will review its techniques in defending its currency to minimise the impact on the territory's economy, Donald Tsang, financial secretary, said yesterday.

"I hope that some general lessons will come out of this exercise, to ensure that if there is a second round of attack, we will not only be able to deal with the speculators, we'll make sure the ramifications for Hong Kong as a whole will be less," Mr Tsang said.

Without giving precise details, he said he and his colleagues "will be reviewing very thoroughly, in terms of techniques, the methods used to protect the Hong Kong dollar."

The government has faced criticism from the investment and manufacturing community after a rise in interest rates to defend the currency peg to the US dollar and a sharp fall on the stock market.

However, a government spokesman said protection of the peg remained the priority of the administration, and Mr Tsang said he was confident the government had "the right formula".

The sharp rise in local interest rates, with inter-bank rates soaring to more than 200 per cent at one point, and prime lending rates increasing from 8.75 per cent to 9.5 per cent, prompted fears about the impact on the property market and the economy.

The blue-chip Hang Seng share index plunged, and now stands more than 30 per cent below its August peak.

"While the government was the big winner in keeping the peg, which we support, it did not anticipate the huge drop in the Hang Seng index and the relative impact on the property market," said James Tien, chairman of the General Chamber of Commerce. "In defending the peg they have to take an overall view."

Hong Kong's willingness to accept damage to stock and property markets is seen as a measure of its mettle in defending the 14-year peg to the US dollar. While high interest rates and associated economic problems prompted criticism from some quarters, the authorities have also drawn fire from the opposite direction.

Christopher Wood, emergency manager of the Hong Kong carrier, however, may take only small comfort from their competitor's cry of pain. The currency crisis in the region could bring longer-term benefits, but for now it has compounded a series of problems from smog to disappearing Japanese tourists.

"Things are going pretty badly for many of the Asia-Pacific carriers," said Wendy Wong, airlines analyst at Merrill Lynch in Hong Kong. "We are only three months into the crisis. I think the pain will be more apparent later on."

Part of the problem facing regional carriers - and perhaps in time their suppliers - is that the downturn has several causes. The initial trouble started in Japan, where economic gloom and a weakening yen have deterred tourists from travel. Cathay has been worst hit. A surge last year, ahead of



Donald Tsang: "we'll make sure ramifications for Hong Kong as a whole will be less"

ing markets strategist at Peregrine Securities, believes that by injecting liquidity into the money markets the Hong Kong Monetary Authority reduced its credibility in the battle against speculators.

"This had the effect of both compromising the integrity of the exchange rate mechanism and inviting suspicion that the authorities were anxious to prevent asset prices from falling."

Government officials say the upheaval in the financial markets is expected to subside after speculators targeted the Hong Kong dollar and shorted the stock market recently. "There is nothing much on the radar screen as far as the Hong Kong dollar is concerned," said Rafael Hui, secretary for financial services.

Asian currency crisis clips airlines' wings

As warnings go, it was blunt and to the point. What should have been a bumper year, said Cathay Pacific in a letter to staff, has become "the worst situation for passenger revenues in decades".

Regional rivals of the Hong Kong carrier, however, may take only small comfort from their competitor's cry of pain. The currency crisis in the region could bring longer-term benefits, but for now it has compounded a series of problems from smog to disappearing Japanese tourists.

"Things are going pretty badly for many of the Asia-Pacific carriers," said Wendy Wong, airlines analyst at Merrill Lynch in Hong Kong. "We are only three months into the crisis. I think the pain will be more apparent later on."

Part of the problem facing regional carriers - and perhaps in time their suppliers - is that the downturn has several causes. The initial trouble started in Japan, where economic gloom and a weakening yen have deterred tourists from travel. Cathay has been worst hit. A surge last year, ahead of

Hong Kong's handover to China, has been followed by double-digit declines in recent months. Thai Airways, Malaysian Airlines Systems (MAS) and others have also felt the impact.

"Japan accounts for more than one-third of intra-Asian traffic," said Viktor Shvets, head of regional aviation research at Deutsche Morgan Grenfell. "Whether you look at Hong Kong, Singapore, Bangkok or Kuala Lumpur, arrivals are either flat or down."

The problem has been compounded by a slowdown in traffic from Korea, a strong source of passenger growth in recent years.

Yet the devaluations have a silver lining. "Hong Kong's fixed exchange rate means it is getting priced out of the market, but Thailand, Malaysia and the Philippines can expect a great deal more foreigners flying in to take advantage of bargains," said Jim Eckes, managing director of Indowise, the aviation consultancy.

However, such benefits are obscured in the short term by the haze and smog blanketing parts of the region, prompting almost 500 flight

cancellations in Malaysia in September. They are also offset by slowing growth and by cost and debt considerations.

"Anything from 30 to 50 per cent of airline expenses are in hard currency - jet fuel, route operating expenses, parking and landing fees," said Mr Shvets. "Many carriers, such as Malaysian Airlines Systems and Thai Airways, are carrying a substantial debt burden, and they also have heavy aircraft acquisition plans." After the devaluation of regional currencies, those purchases are about 20 to 35 per cent more expensive.

While tourists will be encouraged by the lure of cheap destinations, slowing economic growth will hit intra-regional traffic and business travel. "Instead of travelling business or first class, passengers might go back to economy and this has a huge impact on yields," said Mr Eckes.

Taken together, the various factors are expected to hit profits - at least in the short term. Salomon Brothers expects the earnings of MAS to fall sharply in 1998.



Aircraft at Hong Kong airport: fall-out from the regional currency turmoil has helped to hit carriers' revenues

Restatement of the company's foreign currency liabilities, it added, could lead to annual write-offs of 200m ringgit (\$59m). Downgrades and cautions are emerging for many other airlines, including Cathay Pacific and Thai Airways.

One result of the downturn is likely to be intensified competition between carriers. While they are resisting tariff cuts, many

are introducing new schemes, such as Cathay's offer of a free ticket to Hong Kong for long-haul flights booked in some destinations. "It is urgent that we fill seats, and pricing incentives, in whatever form, have to be a weapon," said one executive from a rival carrier.

Regional competition has already been increased by the rise of new carriers, from Asiana in Korea to EVA in

Taiwan and AirAsia in Malaysia. Some fledgling carriers have found the going tough. GrandAir of the Philippines had two aircraft seized in Hong Kong in July after a dispute with creditors over lease obligations.

The carrier described the problem as an administrative oversight, but it raised questions about pressures resulting from lease contracts in US dollars at a time of regional devaluation.

For new arrivals, as for the established players, a big question is whether they now curb their ambitions. AirAsia said in August it was deferring a decision on the purchase of two wide-bodied aircraft.

So far, the big carriers are pressing ahead with fleet renewals. Thai Airways, MAS, SIA and Cathay Pacific have all signalled they will proceed as planned. A continued slump, however, could clip their wings.

"If we see these sorts of passenger numbers for the next six to nine months, there will be pressures to defer deliveries," said Mr Shvets.

John Ridding

North Korea inches towards economic reform

"We have constructed our country by ourselves and we are still self-reliant," was the headline message delivered by a senior North Korean official at a recent international economic conference in Hong Kong.

But reality is telling a different story as isolated North Korea, crippled by industrial stagnation and famine, appears to be inching toward economic reforms as it opens up to foreign investment.

Claims of the North's self-reliance are belied by its dependence on foreign food aid and energy supplies for survival. Pyongyang is now seeking capital and technology from abroad to revive its moribund economy.

In what amounts to a key concession, the North recently said it would establish two production centres at the port cities of Nampo

and Wonsan to supplement a free-trade zone in the Rajin-Sonbong area bordering China and Russia.

While the Rajin-Sonbong zone is isolated and surrounded by barbed-wire fences to restrict entry of North Koreans, the new zones, specialising in production of consumer product exports by foreign companies, will be located near population centres.

Creation of the new zones amounts to an acknowledgement by Pyongyang that the Rajin-Sonbong venture, established in 1991, has failed to attract much foreign investment despite claims that \$2.9bn, mostly from Chinese investors, has been committed to develop the area as a transport hub for north-east Asia.

Foreign investors prefer existing port facilities close to the North's main cities

instead of the Rajin-Sonbong region, which has few paved roads and lacks other vital infrastructure to support industry.

Some analysts think the decision to establish the new zones is an indication that Kim Jong-il, who formally assumed power last month as the North's leader, supports at least limited economic reforms.

Pyongyang is already using the Rajin-Sonbong zone as an incubator for market reforms. As many as 100 private stores are estimated to be operating in the zone, along with open-air markets to cater to the needs of foreign traders.

In the first sign of currency reform, it has reportedly cut the official exchange rate in the zone from 2.12 North Korean won to the US dollar to the black market rate of 200.

Official sponsorship of the duty-free zones has been accompanied by the emergence of a primitive market economy among farmers as the North's food distribution system breaks down. Foreign visitors to the area around the capital have reported existence of farmers' markets for hungry citizens who barter goods for food, most provided by small private agricultural plots sanctioned by the government.

Several open-air markets have also been established along the Chinese border, where North Koreans are engaged in unsupervised barter trade now that China is becoming an important source for food. Growth of the black markets has been aided by growing movements of people as internal travel restrictions are eased.

These developments could be the first inklings of the same reform process that started in China in the late 1970s with agricultural reforms, although North Korean officials adamantly deny that is their intention.

Nonetheless, South Korea appears ready to encourage reforms in the North. Although Seoul has previously tied economic co-operation to progress in political relations with Pyongyang, there are suggestions it will separate the two issues, despite the North's continued refusal to negotiate with the South.

Seoul has recently approved a proposal by the state-run Korea Land Corporation to build an industrial complex at Rajin-Sonbong, while it granted permission for five new joint venture projects in the North.

This is in addition to two

light-water nuclear reactors that the South is helping build on the North's east coast in return for Pyongyang's promise to abandon its suspected nuclear weapons programme.

An aviation accord between the two Koreas will open the North's airspace to international flights from February, while Seoul and Pyongyang are discussing expansion of shipping routes.

The pace of co-operation may quicken after the December 18 presidential election in South Korea, which could help melt frozen inter-Korean ties by bringing to power a more conciliatory leader than the incumbent, Kim Young-sam, who has adopted a hawkish stance on North Korea.

John Burton



A car without Bosch

Imagine for a moment that your car doesn't have a starter motor, fuel injection or an ignition system. Imagine driving without airbags or belt tensioners.

In fact, imagine your car stripped of everything that has anything to do with Bosch. A car with no automatic transmission and no Litronic headlights. With no windscreen wipers, no generator and no ABS. You'd also have to forget the Bosch car phone and navigation system. You'd even have to sacrifice your Blaupunkt radio. So what's left? Nothing. At least nothing you could drive. Though you could try pushing it.

NEWS: INTERNATIONAL

US bulls unfazed by shares turmoil

By Tracy Corrigan
in New York

US retail investors, far from being fazed by last week's stock market correction, are enthusiastic about the market's prospects, according to a telephone survey by InvestmentNews, conducted during last week's sell-off.

According to the survey, if the market dropped another 10 per cent only 6 per cent of individual stock investors and mutual fund shareholders would sell, while 23 per cent would buy stocks. Sixty-six per cent said they would stand firm.

The majority of the US stock market is owned by US retail investors, either in the form of individual shares or through mutual funds, and their enthusiasm for the market is widely seen as having prompted the recovery in stock prices last week, after Monday's sharp correction.

Many market analysts had feared that after a long bull market, a downturn could prompt panic-selling by retail investors. Asked about their current intentions, 78 per cent of investors said they had no plans to buy or sell. Only 2 per cent expressed any desire to sell, while 19 per cent said the downturn provided a good buying opportunity. Only 4 per cent said they sold any holdings early last week, while 16 per cent said they bought mutual funds or stocks.

Although 53 per cent of those polled said they believed the market to be overvalued, 77 per cent predicted it will be higher by the end of the year.

The nationwide survey of 150 men and 150 women was conducted by Leo Shapiro and Associates of Chicago.

The survey's findings reinforce anecdotal evidence from US retail brokers last week. For example, Charles Schwab, the largest US discount broker, said that overnight buy orders outnumbered sell orders by three to one after Monday.

Chinese and US leaders overlook their differences, in the interests of a stable relationship

Jiang and Clinton agree to disagree on touchy subjects

By Tony Walker in New York and
James Harding in Beijing

China's President Jiang Zemin travelled to Harvard university at the weekend for a speech which US officials and his own advisers had cautioned him against making, because of concern about anti-China protests in a citadel of free expression.

But Harvard, with its long tradition of distinguished China scholarship, provided Mr Jiang with a useful platform to repeat his message that Beijing desires an enduring and multifaceted partnership with the US.

China's leader was also able to show a more human face than had been evident earlier in his visit, and even to risk joking about demonstrators who have dogged his footsteps throughout his eight-day stay.

"Although I am already 71 years old, my ears still work very well, so when I was delivering my speech, I did hear the sound from the loudspeakers outside. However, I believe the only approach for me is to speak even louder," he said.

But in the end it was not words but symbols which spoke louder about the achievements of the first summit visit to the US by a Chinese leader since the 1985 mission of the former president, Li Xiannian.

From Waikiki to Williamsburg,

from Washington to Wall Street, from north-east academe to the glitz of Hollywood, Mr Jiang reached out to America with, it seems, modest success.

Commentators in both the US and China say the fact that the summit occurred at all is a step forward: that relatively brisk exchanges on human rights and other contentious issues did not "poison the well" indicate a "maturing" of the relationship.

President Bill Clinton and Mr Jiang might not have reached headline-making agreements, beyond progress on trade liberalisation and arms proliferation, but they appear to have begun to establish a foundation for a more predictable relationship.

Kenneth Lieberthal, professor of politics at the University of Michigan and adviser to the US government on China policy, said the visit went "pretty well", and Chinese and American leaders almost certainly understood each other better as a consequence.

"Jiang got a strong dose of American values and at the end evidently still felt strongly the US and China can have a constructive relationship," he said. "The US feels that an emerging constructive strategic partnership will allow us to press China on issues of mutual interest, and that the relationship need not be hostage to domestic political pressures."

David Shambaugh, director of the Sigur centre for Asian Studies at George Washington University, said the Clinton-Jiang summit should yield more frequent high-level contacts.

"Jiang will go home convinced that the US is not out to contain China strategically, divide it territorially, subvert it politically and frustrate its economic emergence," Mr Shambaugh added.

In China, assessments more or less mirrored those in the US. "The fact that both heads of state have agreed to work together into the 21st century proves the visit was a success," said Shi Min, vice-chairman of the Chinese Association for Asia-Pacific Studies, a State Council, or cabinet, think tank.

"Of course, one cannot expect that the two would reach agreement on every single issue. But both leaders realise they either work together to find common ground, or they quarrel all the way into next century over issues such as human rights, democracy and Tibet. For these are issues which will not be resolved in the short term."

China was pleased with the clear-cut statement from Mr Clinton that the US remains committed to a "one China policy" and that it is up to Beijing and Taipei to resolve their differences peacefully.

"Beijing recognises that it is not

practical for the US to stop arms sales to Taiwan in one single step... What China wanted was a clear statement that the US would not encourage moves in Taiwan towards independence," said Tao Wenzhao, deputy director of the Institute of American Studies in the Academy of Social Sciences.

US business appeared well satisfied with the Jiang visit, seeing it as an opportunity to press its case at a high level for improved access to China's market, and to raise concerns about bureaucracy, corruption and risks to investment posed by a poor legal framework.

"The visit by Jiang Zemin was an action-forcing event for the two bureaucracies, and that was great," said Robert Kapp, head of the US-China Business Council, which represents US business in China.

But there was also scepticism. James Lilley, former US ambassador in China, says: "We haven't yet seen the fine print" on the proliferation agreement, and what "circuit breakers" might be in place if China violates undertakings not to export nuclear technology.

"That observation perhaps sums up the fruits of the summit for both sides, each of which had an interest in promoting style over substance, and avoiding unpleasantness on divisive issues in the process."



Jiang and Clinton: both sides at the summit have an interest in avoiding unpleasantness

Sun and shuttle stallions boost Australian horse power

By Elizabeth Robinson
in Sydney

While all of Australia stops tomorrow for the annual A\$2.2m (US\$1.5m) Melbourne Cup, racehorse breeders are enjoying the good times, with prices for thoroughbreds rocketing and the promise of new lucrative markets opening.

Although the economic crisis in south-east Asia has concerned some breeders who sell to the region, others say that it demonstrates to Asian punters that racehorses are as good a bet as

more traditional investments.

Even before the crisis broke, the region was clamouring for Australian bloodstock. The first Asian Thoroughbred Conference is being held in February by Australia's industry association as a showcase for the country's bloodstock as well as a forum to co-ordinate the push into Asia.

Average prices for Australian yearlings have grown nearly 130 per cent in 10 years to A\$98,955 at the Easter sales organised by

William Inglis, the leading bloodstock auctioneer with around 65 per cent of the market.

The reason, says Reg Inglis, managing director, is the improved bloodlines of Australian horses thanks to the arrival of "shuttle stallions". These stallions enjoy first-class travel in the northern hemisphere, servicing mares for six months and moving to the southern hemisphere for the next six.

Last year, almost 50 stallions did their rounds in Australia, including the legendary Danehill of the US,

whose progeny can fetch prices of A\$700,000.

While the prices have soared, Australian horses are still on average 30-50 per cent cheaper than thoroughbreds from the US and Europe, according to Mr Inglis, attracting Asian buyers.

He says that Asian interests account for nearly 30 per cent of Australian sales, compared with about 5 per cent eight years ago. Hong Kong and Japan are the biggest customers, but the industry is also seeing growth in India.

Magic Millions, another

Australian auctioneer, now holds annual sales in Macao and Singapore.

Brian Agnew, chairman of Anshorse, the industry's co-ordinator, says Australian racehorses are now genetically equal to horses elsewhere but are priced more competitively because they are cheaper to raise.

Australia's climate means horses can be raised in paddocks, compared with the boxes used in colder northern climates, and shipping costs to Asia are also lower.

He says that Australian horses are also more climate-

suited to living in Asia than northern horses.

"Growth in horse trade to south-east Asia over the next 10 years will be explosive," he said. One of the themes of next year's conference is "China - the sleeping giant".

The Australian industry is confident that when the Chinese government wakes up to betting tax as an easy revenue source, demand for horses, including Australian stock, will soar.

However the domestic market remains the industry's backbone. One concerned voice was raised this week when Bart Cummings, a leading trainer, warned that rising prices were forcing Australian owners to seek quick returns from "preocious two-year-olds" in sprint races.

Not enough attention was being paid to the longer process of preparing "stayers" for more arduous races such as Tuesday's two-mile course in Melbourne, he suggested.

But Australians remain confident of their home-grown talent, putting their money on the local Might and Power, favourite for the race.

UN under fire from its auditors

By Michael Littlejohns
at the United Nations

The United Nations systems have been severely criticised in a report from its own auditors, who found corruption, careless spending, slack management and disregard for rules in a year-long investigation of the far-flung bureaucracy.

The scathing report could provide new ammunition for political critics in Washington who question the UN's will to change. Discussion in the UN General Assembly on reforming the UN continues to make little progress, and congressional agreement to pay most of the US arrears of more than \$1bn remains elusive.

A condition set by Congress for settling the debt is a sweeping UN overhaul which Kofi Annan, the secre-



Annan: sweeping overhaul

tary general, proposed last July. But the plan that is running into resistance, mainly from developing countries.

Karl-Theodor Paschke, the UN inspector general, said his office, now nearing its third birthday, had recov-

ered or saved ten of millions of dollars through audits and stirred complacent managers.

However, few UN entities escape the auditors' sanction. Even that icon of efficiency and probity, the High Commissioner for Refugees, is faulted for "various control weaknesses and recurring problems".

At the separate Palestine Refugees Agency, auditors found that somnolent management allowed a thief to obtain \$355,000 in medical reimbursements through forged papers for "sick" members of his extended family.

UN peacekeepers number only 18,000 now, including the Angola force extended last week. An audit found bungling there: \$980,000 lost to delayed, deficient or short supplies; \$667,000 paid for

stevedoring that was not a UN charge; a vendor overpaid \$288,000; and an irrecoverable loss of \$241,000 for bus hire.

The chief financial officer of the UN force in Cyprus was sacked after a green-grocery account lost \$450,000 to fraud. Relocating UN force headquarters in Guatemala proved a fiasco that such a step would also strengthen the judiciary's position against the executive.

At the UN Environment Programme in Nairobi, auditors found a nest of high-priced consultants, top-heavy secretariats, weak spending controls and barely competent recruits. "Significant shortcomings... both human and financial" were uncovered at another Nairobi agency, Habitat, the centre for human settlements.

Pakistani problems mount

Government in crisis, manufacturing falling, rupee devalued - but an IMF loan deal is good news, reports Farhan Bokhari

Last month Pakistan provided international investors with one of their first pieces of good news for over a year, when it reached agreement with the IMF over a new loan agreement.

But since then, both investors and the country's government have found themselves still bothered by fundamental economic problems, quite apart from the turmoil that has run rampant across Asian markets in recent days.

To make matters worse, the fortunes of Nawaz Sharif, the country's prime minister, last week touched rock bottom, as his nine-month-old government faced a severe constitutional crisis. For the Sharif government little has gone to plan. The loan package of \$1.56bn from the IMF to help the country's balance of payments problem had helped the stock market reach 2,079 points, one of its highest levels in recent months.

The news in subsequent days, however, brought levels down by more than 10 per cent, to 1,892 points at close of trade on Friday, as implications sank in of the financial unrest elsewhere in

Asia and the political troubles at home.

The turn of events has put an even greater spotlight on last month's decision to devalue the rupee by 8.7 per cent, a decision that analysts were describing as a gamble even before the latest setbacks.

A recent report by ABN Amro, the Dutch bank, best illustrated anxieties when it said: "The devaluation is more likely to stoke inflationary pressure or increase government expenditure and cause an increase in the fiscal deficit" - even if the strategy works and domestic investors are galvanised into action.

But Sartaj Aziz, finance minister, is still betting on good crops as the first sign to pull the economy out of its slumber. "We expect a good cotton crop, to help our economy recover. At the same time, our reform programme will begin to show results."

More than half of Pakistan's \$3.7bn exports last year were made up of cotton products. A good harvest would give cheaper raw cotton to the hundreds of textile factories, the country's largest industrial sector.

But the country's structural problems are a far greater challenge. During the last financial year (July-June), large-scale manufacturing contracted for the first time ever, and the trade deficit soared to a record \$3.57bn.

An improvement during the three months to September, when the deficit fell by 18 per cent from the same period a year before, failed to entice the markets.

Many analysts are also worried about the outlook for taxes. The government won headlines with big cuts this year, but critics argue that it looks increasingly unlikely that the country will gather in the present financial year's projected tax take of Rs324bn (\$7.4bn).

The tax revenues are the most important guarantee for the success of the fund programme. At least three previous IMF programmes have collapsed in the past few years, triggered by shortfalls in taxes and a rise in the budget deficit, rising above agreed limits.

Confidence has suffered another blow with the recent constitutional turmoil that

followed Mr Sharif's refusal last week to appoint five judges to the supreme court. The court wanted more judges in order to speed legal proceedings, but some observers noted that such a step would also strengthen the judiciary's position against the executive.

For a country where, in almost two decades, no civilian regime has survived its full term of office, the prospect of another government losing its grip just nine months after coming to power is a haunting one.

In response to the mounting controversy over the issue, Pakistan last week came close to a standstill, as bureaucrats across the country waited for the issue to be resolved in an atmosphere of increasing tension.

For Mr Aziz, the one consolation is that the situation now is "infinitely better" than a year ago, when political and economic turmoil, accompanied by suspension of a previous IMF agreement, finally led to the downfall of Benazir Bhutto's government. He is encouraged by the fund agreement: "The positive factors today outweigh the negative ones."

COMPANY NOTICES

BUILD, OWN, OPERATE, TRANSFER (BOOT)
REQUEST FOR QUALIFICATION FOR AHMEDABAD-MAHESANA ROAD PROJECT

Infrastructure Leasing & Financial Services Limited (IL&FS), on behalf of the Government of Gujarat (GoG) is seeking Statement of Qualifications ("SoQs") from experienced companies/joint ventures ("Applicants") to build, own, operate and maintain the Ahmedabad-Mahesana road project on a commercial format, to collect tolls, including the design and implementation of an adequate toll collection and management system, and to transfer the project to the GoG at the end of the concession period.

PROJECT

Gujarat is among the highly industrialised States of India and today maintains an eminent position on the economic map of India. Ahmedabad-Mahesana is a State Highway (SH-141) connecting Ahmedabad, the largest industrial city in the State of Gujarat, to Mahesana, an oil town and industrial hub to Ahmedabad.

The project road extends from km 19 on SH 41 and ends at km 71, at the start of Mahesana town. The project road caters to industrial and goods traffic movement and passenger work trips to and from Ahmedabad to Mahesana and inter-state traffic. The project road is characterised by development of industries interspersed along both sides of the road. The project road also provides the shortest link for long distance industrial and goods traffic moving from Ahmedabad to Rajasthan and other parts of Northern India.

SCOPE

Project scope entails strengthening the existing 2-lane carriageway and widening it to a dual 2-lane carriageway along with the provision of service roads, a length of 52 kms. Project scope also includes strengthening the spur between Kadi and Chabral, a major town on the project road, a length of 11.5 kms. The project is proposed to be implemented on a BOOT format, with recovery of investment proposed through levy of tolls.

STATUS

IL&FS is assisting GoG in preparing detailed feasibility documents for the project, which would examine the techno-economic, environment and social, and commercial viability of the project as well as the risks associated with it. The feasibility documents have been finalised. Land acquisition for the project has been completed.

The World Bank has been involved in the preparation of this project and the project could be eligible for financing under the line of credit from the Bank to IL&FS. The project will be domiciled in a Special Purpose Vehicle which would be set up with equity participation from GoG, IL&FS, selected Applicant and others. IL&FS will also assist in raising finances for the project. The SPV and GoG will be responsible for obtaining all the clearances for the project. The legal framework has been amended by the GoG to allow for the levy and collection of toll on widened and strengthened sections of State roads. The GoG proposes to utilise this approach for implementing other road projects in the State.

REQUEST FOR QUALIFICATION

Potential qualification will be open to Applicants: from eligible countries as defined in the Guidelines: Procurement under IBRD Loans and IDA Credits.

The feasibility documents may be purchased from IL&FS at the address given below. The Applicant must make a written request for the feasibility documents and include payment of Rs. 10,000 or US\$ 300. The written request must state: "Request for Feasibility documents for Ahmedabad-Mahesana Road Project". With the Feasibility Study, IL&FS will provide "Request for Qualification" document, which will contain qualification criteria and further instructions for potential Applicants. GoG/IL&FS request the potential Applicants to provide written comments concerning the qualification criteria. Comments concerning the feasibility documents will not be considered at this time.

GoG/IL&FS will conduct a site visit and pre-submission conference on December 1, 1997. GoG/IL&FS will make a presentation at the conference outlining the bidding process and implementation framework proposed for the project. At that time, GoG and IL&FS will request any additional comments concerning the qualification process. Attendance at the site visit and pre-submission conference is mandatory. GoG/IL&FS may consider modifications to the qualification criteria, if deemed necessary, in response to the written solicitations made by the potential Applicants and reserve the right to do so. The potential Applicants who have obtained the RFQ directly from IL&FS will be informed of any such change to the qualification criteria immediately.

The SoQs will be considered by GoG/IL&FS from only those Applicants who have: (1) obtained the RFQ directly from IL&FS pursuant to the process outlined above and, (2) attended the mandatory site visit and pre-submission conference. For purposes here, these criteria will be deemed to be satisfied for any Applicant that is a joint venture/consortium if any member of the team meets the two criteria. The SoQs will be used exclusively to evaluate the technical, financial, management and other capabilities of the potential Applicants. Pre-qualification will be based on meeting all the minimum criteria, as provided in the RFQ document. Only those Applicants judged to be qualified by this procedure will eventually be invited to bid for the project in a subsequent competitive solicitation.

The Statement of Qualifications must be received on or before 5 P.M. Indian Standard Time (IST), December 19, 1997. Potential applicants may obtain the documents from:

Ms. Sangeeta Anand,
Manager (Infrastructure),
Infrastructure Leasing & Financial Services Ltd.,
East Court, Zone VI, 4th Floor, India Habitat Centre,
Lodhi Road, New Delhi - 110 003, India.
Tel: 91-11-4636841/42.
Fax: 91-11-4636851.



Enjoy.

The new Ericsson GH688 offers full data and fax compatibility, so now you can do your business wherever you like. 100 hours of stand-by time with the High Performance Battery, SMS and alarm clock lets you do your business whenever you like. All wrapped in a unique lightweight metal frame; so you can do your business however you like.

The new Ericsson GH688.
Made for business. Good for life.

ERICSSON 

NEWS: UK

Party leader accused of declaring war on pro-Europe wing

Opposition chief in new row

By George Parker, Political Correspondent

William Hague, the opposition Conservative party leader, was yesterday accused by a senior colleague of "declaring war" on the party's pro-European wing, amid signs that the conflict could erupt as early as next week.

David Curry, who resigned as agriculture spokesman at the weekend, claimed Mr Hague had deliberately provoked conflict within the party by ruling out British membership of the euro in the next parliament.

The flashpoint could come on November 12, when Mr Hague plans to force to oppose a House of Commons bill that ratifies the European Union's Amsterdam Treaty.

Pro-European Conservative MPs support much of the treaty, which updates the Maastricht agreement of 1991, and includes a reduction of the national veto and an extension of the powers of the European parliament.

"I hope we don't take a bull-headed attitude to the Amsterdam Treaty," said Ian Taylor, who resigned as junior Northern Ireland spokesman last week. "These are the sort of issues which could trigger further problems within the party."

The Conservative party descended into open conflict over the weekend with Kenneth Clarke, the former chancellor, and Michael Heseltine, the former deputy prime minister, also speaking out against Mr Hague. The Tory leadership yesterday showed signs of

increasing impatience with the rebels.

"They have been given a free vote on the single currency, and that is a freedom they should respect," said one of Mr Hague's aides.

But in a thinly veiled threat, he added: "They should not use that freedom as an outlet for attacking the leadership."

Mr Hague's colleagues said it was "likely" that the party would use a three-line whip (the highest level of coercion for a Commons vote) for the passage of the European Communities Amendment bill, which will enact the Amsterdam Treaty signed by Tony Blair, the prime minister, in June.

There would be a rebellion if Mr Hague put down an amendment backing his demand that the government

hold a referendum on the treaty, which includes British participation in the social chapter and a reduction in national veto.

Mr Hague's closest lieutenants were out in force in the broadcast studios yesterday, arguing that the decision to rule out British membership of the Euro during this parliament and the next was clear and pragmatic.

But elsewhere the Tory party was involved in acrimonious factional skirmishes not seen since the passage of the Maastricht treaty in 1993.

Meanwhile, Labour and the Liberal Democrats will discuss a joint approach to the single currency when the cross-party cabinet committee discusses Europe at its meeting tomorrow.

Testing the intent behind tough N Ireland positions

Protagonists may be more flexible than they have indicated so far

An endgame may just be emerging in Northern Ireland's political negotiations, which enter a new phase this week.

Six weeks since the real talking began, ministers have been relieved that some progress has been made. Off-set against that, however, is the refusal of pro-British unionist delegates even to acknowledge the presence of Sinn Féin - the Irish Republican Army's political wing - around the table.

So far, the parties have been playing to the gallery on issues of principle, setting out their positions in the round.

Over the next few days, the business committee is expected to recommend a timetable for discussion of details of a new Northern Irish assembly and cross-border institutions between the north and the Irish Republic. This will test the intent of the protagonists.

The portents are not entirely gloomy. While using every opportunity to call for a united Ireland, Gerry Adams, Sinn Féin president, has given recent hints that he would be prepared to accept a solution that falls short of that.

David Trimble, leader of the Ulster Unionist party, has made clear he will not countenance any cross-border authority with executive powers. Yet his keynote speech to his party conference a week ago showed flexibility. Mr Trimble took head on attacks from hardliners within his own party.

He made clear the union (between Britain and Northern Ireland) was not for renegotiation, and warned the Dublin government to keep out of the affairs of the north.

But he added: "We need nationalists to tell us, in realistic terms, what would meet their need. And we will try sympathetically to meet them." This appears to leave room for manoeuvre.

Mr Trimble is playing hard ball on "strand two" - the cross-border element. On "strand one" - devolution for Northern Ireland - he is enthusiastic. The powers of a Northern Irish assembly are likely to be somewhere between those of Scotland, with its own future government, and Wales, which will have little more than a regional council.



Fine balance: Gerry Adams (left) and David Trimble have each hinted at compromise

Mr Trimble does appear to have accepted the notion of power-sharing, checks and balances for minority Catholics. This could take the form of weighted committee chairmanships, guaranteed seats on an executive council, or a triumvirate leadership.

Where he bridges is at the prospect of giving the Dublin government a say, and effective right of veto, through a joint authority, for example on education, health or religious affairs. Some areas that affect both sides of the border, such as environment, tourism and transport, would be less contentious.

One suggestion Mr Trimble has made is a Council of the British Isles, some kind of forum taking in all the separate nations of the UK, as well as the Irish Republic. The consequences for the blurring of sovereignty would be potentially as difficult for Dublin as for Belfast.

So far the potential for compromise of Irish mindsets has not been tested. The Dublin government appears slowly to be accepting that articles two and three of its constitution, which aspire to a united Ireland, would have to be dropped as part of a deal.

A referendum on the issue, which would be obligatory, could take place simultaneously with a vote on a final outcome.

In addition, for a cross-border authority to work, Dublin would also have to accept unionist input into what until now has been its own domestic affairs.

As for Mr Adams, he would have to be heavily compensated for any watering down of strand two, and for a de facto recognition of the existence of Northern Ireland as a geographical entity. He still calls it a "statelet".

This would have to involve

some participation in a triumvirate - presumably under Mr Trimble's chairmanship - or similar body, as well as in a cross-border arrangement. It is a very fine balance to strike.

Ministers are not naive enough to believe that any of this is immediately achievable. They have until next May to unruffle feathers, and persuade Mr Trimble to reply to points made by Mr Adams in conversation, or even to look at him. Mr Adams still talks in clichés about British occupation.

There is an element of fatalism in all this. If Mr Trimble wants to walk out, there will be no shortage of reasons for him to cite.

If the IRA deems progress unsatisfactory, it is capable at any moment of returning to violence. But it is still there.

John Kampfner

Japanese jam deal set to boost preserves group

By Maggie Urry

Chivers Hartley, the preserves group, has won its first order from Jusco, the Japanese retailer, for a range of private label jams developed especially for it.

The deal was hailed as a success by Food From Britain, the government-backed group which promotes exports of food and drink from the UK and which opened an office in Japan two years ago.

The first order, for 2,900 cases of strawberry and blueberry jam and orange marmalade, will put the British jam on the shelves of 300 supermarkets. It will compete with the leading local brand, Blue Flag, as a mass-market rather than a luxury, niche brand.

Andrew Stokes, marketing

manager at Chivers, said the order from Jusco, Japan's third largest food retailer, was the culmination of extensive work on meeting Japanese tastes and preferences. It was placed almost two years to the day since Mr Stokes first visited Japan on a trade mission led by Food From Britain.

He said: "In dealing with Japanese retailers, persistence and patience are the watchwords." After initial contact on the trade mission, Jusco executives had visited Chivers' factory near Cambridge and had been thorough and detailed in their demands. As a result, Chivers altered the recipes to include more fruit and less sugar, developed the blueberry flavour and switched to smaller jars, as Japanese shoppers make more fre-

quent trips to buy food, use jam more sparingly than British consumers do, and have less storage space.

Chivers developed a new brand, "Cambridgechire", for the range, which will be exclusive to Jusco. The label carries a sepia picture of King's College Cambridge, playing on Japanese respect for British seals of learning.

With the UK jams market static or slightly declining, exports are one area of growth for the company. Exports are at present less than 15 per cent of Chivers' turnover, with France, Germany and Holland its largest markets. Mr Stokes said the deal with Jusco would far exceed its existing exports to Japan, and he saw potential for the country to become Chivers' fourth largest export market.

Brussels urged to end takeover law proposals

By Robert Rice, Legal Correspondent

The UK's Takeover Panel has called on the European Commission to drop its proposal for a law to regulate takeovers in the European Union following advice from a leading lawyer that the proposal is unlawful under EU law.

A legal opinion by David Vaughan QC, commissioned by the panel, says the draft directive on takeover bids fails to satisfy the principle of subsidiarity enshrined in the protocol to the recently signed Amsterdam Treaty. Alistair Davies, the panel's director-general, has written to Mario Monti, the single market commissioner, saying that the proposal should either be withdrawn altogether or

replaced by a recommendation or voluntary code. Mr Monti has yet to respond.

The UK has opposed all attempts by Brussels to introduce a European regime for regulating takeovers on the basis that it would threaten the UK's non-statutory system for regulating bids.

Although the current draft directive is based on the City Code on Takeovers and Mergers and would not require the UK to change its system, the panel says incorporating it in UK legislation would result in nuisance litigation designed to frustrate or kill off bids.

The directive is scheduled to come into force next April, but the panel believes the European Commission may be having second thoughts.

Four months after it was returned from the European parliament with several proposed amendments for safeguarding workers' rights in takeovers, the draft has still not been revised by the Commission.

Council of Ministers' working group meetings last week were postponed and are not expected to take place before December.

The panel believes the commission faces a dilemma because while some of the MEP's amendments are acceptable, others would prove too politically controversial for the directive to become law.

The panel says Mr Monti's recently published action plan for completing the single market programme fails to mention the takeover directive.

UK NEWS DIGEST

London 'best for business'

European Union company executives have voted London Europe's best city for business for the eighth year running, according to a survey published yesterday.

The European Cities Monitor 1997, published by international property consultant Healey & Baker, showed the UK capital won the accolade by a considerable margin in the survey of senior executives from more than 500 leading European companies. Paris was second and Frankfurt third.

INTEREST RATES

Bank has case for further rise

The Bank of England's monetary policy committee meets again this week, with some analysts arguing that the UK central bank still has a case to increase interest rates, in spite of the recent weakness of the London stock market.

Barclays Bank, in its quarterly economic review published today, says there is still upward pressure on interest rates.

This echoes the views of the futures markets. On Friday, the short sterling future was pointing to one more rate rise of 0.25 percentage points by the end of the year.

Any decision to raise rates would come at an unusually sensitive time. The FTSE 100 index fell 127.5 points last week, with individual trading days showing sharp falls.

Chris Wright, Barclays economics director, said: "Unless UK share prices fall substantially further, the balance of argument still points to a small further rise in interest rates over the next three months." Daniel Green

AGRICULTURE REFORM

Farmers question Europe strategy

UK farmers' leaders have "very severe doubts" about European Commission plans to reform the Common Agricultural Policy, it emerged yesterday. The National Farmers Union said the strategy, part of the Commission's Agenda 2000 proposals, ignores likely World Trade Organisation constraints. It said this would make it "extremely difficult" for the European Union to avoid further, possibly far-reaching, changes to the CAP early in the next decade. New WTO talks on agricultural trade are due to start in 1999.

The view was expressed in written evidence submitted to the Agriculture select committee, which starts taking oral evidence tomorrow on the Agenda 2000 proposals. It is likely to find support in the agriculture ministry, which is thought to favour tougher reforms than those proposed.

The NFU is deeply critical that Agenda 2000 lacks "any proper consideration of WTO issues". Maggie Urry

MINIMUM WAGE

Union urges \$7.33 national level

Unison, the public service union, has urged the Low Pay Commission to recommend a national minimum wage at an hourly rate of £4.42 (\$7.33) - more than the current pay of 48 per cent of the union's 1.3m members.

Unison is calling for an hourly rate on wage slips; the minimum wage to be an implied term of an employee's contract and enforceable through industrial tribunals; conciliation and arbitration to be available, possibly as a function of the Low Pay Commission; a simple means of requesting that a claim be investigated through local authorities and public agencies; and an appropriate inspectorate with powers of enforcement and action through the county courts.

Andrew Bolger

DEFENCE

Call over Bosnia mission costs

The Treasury has started a renewed assault on the defence budget, demanding the military should bear the full £200-250m cost of the UK peacekeeping mission in Bosnia.

George Robertson, defence secretary, is fiercely resisting the move, which comes shortly after the Treasury took £168m (\$279m) from the Ministry of Defence to avoid a winter crisis in the health service.

The Bosnia mission is currently funded from the government's central contingency reserve, but Alastair Darling, Treasury chief secretary, argues that the Army presence should now be treated as a normal expense, similar to the commitment to Northern Ireland.

An MoD spokesman said yesterday that if the department had to fund Bosnian operations it would seek an "adjustment" to the defence budget. George Parker

TOBACCO ADVERTISING

Manufacturers attack government

The Tobacco Manufacturers' Association yesterday accused the government of attempting in effect to bypass parliament by agreeing to a European Union directive banning almost all forms of tobacco advertising and promotion.

EU officials will tomorrow consider a "compromise" directive, put forward by Luxembourg, which meets many of the UK's objections to the directive. As a result, the tobacco industry said it expected the UK to back the directive at the health ministers' council meeting next month.

UK support could help the directive go through on qualified majority voting. David Swan, the TMA's chief executive, said yesterday that Tony Blair, the prime minister, had promised to consider all the options available before making a decision on anti-smoking measures and had promised a white paper on the issue. "Deliberations at the EU health council could effectively make this process irrelevant," he said. Nicholas Tennison

We call this service JAL's Executive Class Seasons.

It was created from the understanding that frequent long-haul business passengers appreciate a regular change to their environment.

So, taking this into consideration we change the interior cabin decor and the in-flight menus every three months to reflect the seasons. It might not seem like a big deal, but when you've got everything else right, it's the little things that make all the difference.

For flight bookings or more information call your local JAL office or contact your travel agent.

JAL Japan Airlines

A BETTER APPROACH TO BUSINESS

AN IMPORTANT MESSAGE TO DIGITAL CUSTOMERS

On October 27, DIGITAL and Intel announced an agreement to significantly enhance our commercial relationships and resolve our intellectual property dispute. This agreement is subject to government approvals, but when completed will allow DIGITAL to bring substantial benefits to our customers.

Among them are:

21st Century Alpha. Alpha, one of the 20th century's first 64-bit technologies, will enter the next century as the world's most advanced 64-bit platform, with full support for Open VMS[™], DIGITAL UNIX[®] and Windows NT[™]. The advantage? You don't have to wait to enter the 64-bit world.

World Class DIGITAL UNIX. Customers and software vendors can invest with confidence in DIGITAL's award-winning 64-bit UNIX running on Alpha. In addition, software written for Alpha today will run easily on IA-64 in the future. (Who says you can't have your cake and eat it too?)

As the first enterprise company to endorse Windows NT (way back in 1992), we have the industry's broadest line of high performance systems, both Intel and Alpha. We have more WNT-certified engineers than IBM, Compaq and HP combined. And we are now working with Microsoft, our strategic partner, as Microsoft develops a common programming model for 64-bit Windows NT for the Alpha and IA-64 architectures.

Eliminate risk. You have enough risk in your life. Uncertainty about the relationship between two key suppliers did not make your job any easier. We've fixed that. You can have confidence buying DIGITAL Alpha and X-86 systems today as well as Alpha and IA-64 systems in the future.

The bottom line? This deal is good for DIGITAL, because it's good for our customers.

digital[™]

THIS WEEK

A little help from Broadway

DATELINE

Milan: the city's hard-pressed councillors are turning to New York for advice, writes Paul Betts

Reading *La Notte*, Milan's evening newspaper, on the commuter train the other day you would have thought you were escaping not from Harlem but from Gotham City with no Batman in sight. The front page revealed a story about a young barman who found strangled in a school playground run by nuns, next to a

piece about the stoning of a taxi. But the *pièce de résistance* was inside. The mummified body of a South American woman had been found in a bath. The photograph of the bloodstained tub was worthy of Hitchcock.

Every day there are stories of fights between illegal immigrants and drug dealers, not just in the derelict suburbs but under the arches near the cathedral or the *stazione centrale*, Milan's own Grand Central station.

Even poor old Mago Zuri, a conjuror who was one of Italian children television's most popular personalities a few decades ago, was mugged recently on a platform waiting to pick up his wife.

It is all too easy to exaggerate the true picture. The fact is that for all its ugliness Milan is probably still one of the most livable places in Italy as long as you can

get out at weekends to take some fresh air in the Alps or by the seaside.

The Milanese are fond of their city, but they have become increasingly dejected by the drug problems, the traffic congestion, the graffiti, and the filthy parks and streets.

A recent poll showed that, given the choice, 25 per cent of the population would move to another city, compared with only 15 per cent five years ago. The poll found that crime and safety had become the main concern, followed by traffic, environment, cultural decline and poor public services.

The new mayor is well aware of the challenge he faces. To his credit, he admitted the city was now even dirtier than when he took over - to the annoyance of his main political sponsor, Silvio Berlusconi, the Milanese media

mogul and the country's right-wing opposition leader.

A former head of Italy's metal and mechanical engineering employers' federation, and a small businessman himself, Mr Albertini wants to manage the city along the lines of a successful company.

He has appointed a "city manager" to act as chief executive of city hall. He has sought to distance himself from his patrons. And it is said he has drafted a letter of resignation which he keeps in his desk ready to sign should he face unacceptable political interference.

He is full of good, practical intentions. But Italy's Kafkaesque bureaucracy and Byzantine regulations have already proved a formidable obstacle.

For example, Mr Albertini believes he could improve safety simply by putting more police

men on the streets. But there is an odd regulation in Milan whereby after five years on the beat a policeman can get a desk job. So the city has more than 4,000 policemen and women shuffling paper and barely 300 on the streets. And those with office jobs have no intention of putting on their walking boots again.

Last month Mr Albertini took his team of councillors and advisers to a leafy retreat on the banks of Lake Maggiore to hammer out a strategy for the revival of Milan. And now he hopes to gain a little help, if Mr Giuliani is re-elected, from Broadway.

If he fails, the new Nobel prize winner may come to haunt him. Mr Fo, fed up with the council's indifference to his literary accolade, has decided to throw a bash of his own in Brera, Milan's Latin Quarter.

At least it will give people something to cheer about in a city where, Mr Fo says, the young have little else to do in the evening except "throw a few bricks at a black man".

Dario Fo has few fans in Palazzo Marino, Milan's imposing city hall facing the famous La Scala opera house. The city's right-wing council was noticeably irritated by the recent decision to award this year's Nobel prize for literature to the popular Milanese comic actor and author who has transformed agit-prop farce into a fine art.

"They are already asking us to name a theatre after him," muttered one city councillor the other day. "There are so many other Italian writers who deserved to win. And now I suppose we'll have to organise some sort of party for the man."

A far bigger and flashier party is likely if, as expected, Rudolph Giuliani wins tomorrow a new term as mayor of New York and accepts an invitation from Milan's business community and endorsed by Gabriele Albertini, the new mayor, to visit Italy's northern metropolis next year.

The "zero tolerance" mayor of New York, an Arnold Schwarzen-

The Monday Profile: Tasuku Takagaki, Bank of Tokyo Mitsubishi

Size isn't everything

Running the world's biggest bank might appear a job that would make any ambitious executive brim with pride. But ask Tasuku Takagaki, president of the Bank of Tokyo Mitsubishi (BTM), how he feels about the accolade and the reply is striking.

"I feel a little ashamed," says Mr Takagaki, who at 68 is arguably one of Japan's most powerful bankers. He is moving to the role of chairman next year.

"Perhaps a few years ago I might have been proud of heading the world's biggest bank. But now that has changed. Being big is not the only important thing."

His comment partly reflects modesty - and a business culture which puts emphasis on the enterprise rather than the individual. Like many Japanese business leaders, Mr Takagaki has maintained a level of invisibility that would be alien to Wall Street. He rarely gives interviews, has never graced the cover of a business magazine, and is barely known outside Japan's elite banking circles.

But humility is not the only reason for his unease. For as he comes to the end of his career, Mr Takagaki, like all Japanese bankers, is gripped by a debate about banking goals.

When he started his career in banking over 40 years ago, being big was almost the only measure of success. The banks' main role then was to finance the industrial reconstruction of post-war Japan rather than produce profits for shareholders.

But the climate is changing. In recent years the banks' profits and share prices have fallen. The question puzzling western observers now is whether this will push veteran bankers like Mr Takagaki into changing their business style and moving towards an Anglo-Saxon profit-driven culture.

Like most businessmen of his



generation, Mr Takagaki was educated only in Japan. During his career he has worked in the US and Europe, and completed a stint in the Asian Development Bank. He speaks English with confidence and charm. Unlike many Japanese executives, he has no qualms about meeting journalists alone. And he uses the language espoused by western shareholders to ease.

As he regularly tells investors, he wants the "Big Bang" deregulation of the Japanese financial sector to turn his bank into a global bank. He wants it to move

into higher margin businesses to boost underlying profits. And he wants the group's underlying return on equity, a mere 7 per cent, to be raised.

"When I say I am ashamed of our size, what I mean is that we need to use our assets in a more profitable way," he explains.

And he is keenly aware of outside judgment. His recent reading material, for example, included a critical report by the US investment bank Goldman Sachs. This argues that BTM cannot raise its return on equity rapidly unless it drastically cuts its size.

"The advice of Goldman Sachs is difficult to swallow, but we need to give it consideration," he says, confessing that until he read the report he had never realised the startling fact that BTM's assets are equivalent to 15 per cent of Japan's GDP.

BTM, as its name suggests, is essentially a hybrid: it was formed two years ago by a merger between the domestically orientated Mitsubishi Bank and the Bank of Tokyo, previously a specialist foreign exchange bank.

Before the merger, Mr Takagaki was president of the Bank of Tokyo, and he personally backed the merger. But fusing the cosmopolitan Bank of Tokyo with the conservative Mitsubishi has been a difficult task. Two years later, the strains are clear.

"If you ask me whether I think the merger was a good idea, then I say that in terms of corporate strategy it was the right decision," he explains. "But at a human level, was it a happy decision? Well, I am not sure..."

The internal tensions make radical action difficult. He favours cutting BTM's board, but does not expect to move to western levels.

"We have already cut the members from 75 to 63, but we cannot cut fast," he explains. Though the bank is seeking efficiencies, there are no plans to become like a US bank in implementing hiring and firing policies.

Yes, he explains, he wants BTM's assets trimmed, but not at the scale that Goldman Sachs would advocate. And though he would like a share buy-back, this is unlikely to occur soon.

"If you are running a company, is the return on assets really the only target? I am not sure."

"I think Japan is going to change faster in the next five years than it has in the past 20, and the change will be radical rather than gradual."

Gillian Tett

FT GUIDE TO:

MAYORS IN THE US

Several big cities in the US are electing their mayors tomorrow. What role does a mayor have in running a city?

An increasingly important one. Once derided as supervisors of "street lights, dog-doo and parking meters", mayors are now at the forefront of whole areas of social policy in their cities, many of them building national reputations in the process.

As the federal government has retrenched over the last few years, mayors have been left to pick up the pieces and are beginning to make important progress in developing workable policies for welfare reform, education, race relations and other matters.

So they are pretty powerful individuals?

That depends on the city. In New York, the mayor is the big cheese in the Big Apple. In Miami, he ranks somewhere between the chief of police and the head of the local dog pound. US local government is a bewildering constitutional patchwork and the powers of city mayors are the product of at least a century of evolution and vary widely.

To some extent, their power is determined by the state. Much of what the federal government used to do has been devolved to the states. But many states have been happy to pass the burden on to the cities. In a few cities, however, the local bureaucracy has been brought to the point of collapse by middle-class flight to the suburbs and financial distress. Here mayors are mere figureheads of little constitutional significance. These are the exceptions, though. Overall, there is little question that mayors as a whole are regaining lost ground.

Who are some of this year's successful mayors?

New York's Rudy Giuliani is, without a doubt, the most nationally prominent, at least for the right reasons. The former public prosecutor with the irritating giggle and the comb-over haircut was elected four years ago, a Republican in an overwhelmingly Democratic city. His first term has invited comparison with that of the godfather of US mayornship - Fiorello LaGuardia, mayor of the city in the 1930s and 40s and immortalised in the eponymous New York airport.

Mr Giuliani has presided over a marked fall in violent crime, declines in public health problems, notably AIDS, and most importantly, the first World Series win by a New York baseball team in a decade - the Yankees slugging their way to victory last year. All of which makes him a shoo-in for re-election tomorrow.

Gerard Baker

Peter Norman • Economics Notebook

The taxpayers are revolting

Two of Germany's wealthiest states are leading the fight for reform

Revolt is not a word that springs to mind in connection with Germany. The federal republic, with its host of regulations and an embattled welfare state that still aspires to coddle the citizen from cradle to grave, is the home of strong vested interests for maintaining the status quo.

But revolt aptly describes the behaviour of Germany's taxpayers and contributors to state social security. "I would like to see the German who still submits an honest tax declaration," the weekly newspaper *Die Woche* quoted Rainer Herzog, Germany's president, as saying last month. "Anyone abiding by the law must often feel an idiot."

The Institut der deutschen Wirtschaft (IW), the economic research arm of the Cologne-based federation of industry (BDO), has estimated that Germany's informal economy ballooned from DM105bn in 1975 to DM542bn (€188bn) this year. This more than fivefold increase in just over 20 years boosted the black economy from 6 per cent to 15 per cent of gross domestic product. The cost to the German state this year is thought to be about DM125bn in lost tax revenues and DM110bn in lost social security contributions.

Hardly a week goes by without news of a raid by German tax investigators on a bank headquarters. The raids, aimed primarily at finding customers with undeclared earnings abroad, have triggered high-profile resignations. Some reports suggest that 80,000 Germans are under investigation for tax evasion.

Theo Waigel, finance minister, will next week convene a meeting of experts to forecast tax rev-

enues for this year and into the next millennium in the sure knowledge of shortfalls running into billions of D-Marks. Some deficiencies will reflect teething troubles associated with recent changes to the tax system such as the abolition of wealth tax and changes to inheritance tax. But, as Germany's six leading economic research institutes noted last week, others will result from tax evasion and avoidance.

Mr Waigel did not wait last week for the deliberations of the working group. He imposed an almost total freeze on new discretionary spending by the federal government.

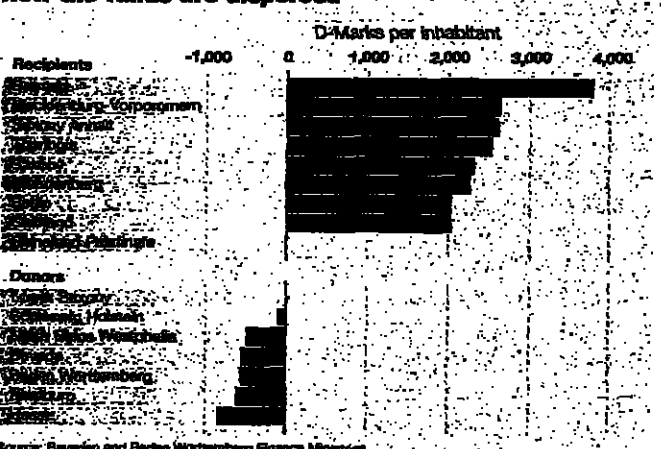
Until now, however, the taxpayers' revolt has been a private sector matter. No longer. Two of Germany's richest federal states, or *Länder*, have served notice that they will no longer tolerate the present system of "financial equalisation" which channels revenues from their above average economic performance to poorer states in the federation.

The revolt could now have significant implications for Germany's economy and society and, possibly, for the country's relations with its European neighbours.

Bavaria and Baden-Württemberg have taken the first step towards challenging the system of financial equalisation in the constitutional court.

Last month, a special study commissioned by the two *Länder* found that Germany's financially strong states had to transfer more than 90 per cent of the tax revenues originating in their territory that exceeded the national average to poorer regions. Hans-

How the funds are dispersed



Source: European and German Statistical Offices

wrote the report, concluded that this was unconstitutional in the light of a constitutional court ruling two years ago that no taxpayer should be expected to cede more than 50 per cent of income to the state.

After taking account of additional federal transfers, Baden-Württemberg was transformed from last year's third ranking state in terms of its financial strength into the second weakest. Bavaria slipped from fourth strongest to being the weakest of the 16 *Länder*.

The heavily indebted Saarland, governed by Oskar Lafontaine, leader of the opposition Social Democratic Party, saw its ranking soar, thanks to the subsidies, from 11th to third. The city state of Bremen, also heavily indebted, jumped from fifth to first. The graph above shows the

This greater differentiation in wealth would almost certainly trigger fiercer competition inside Germany for new business investment with the richer states having a clear advantage. It would also create pressure for the states to be given powers to fix and levy taxes, rather than be allocated a share of revenues.

Some politicians think the issue highlights the need for changes in the political map of Germany through a reordering of the federal states with the absorption of small, financially weak states such as the Saarland and Bremen by their richer neighbours. Erwin Huber, Bavaria's finance minister, believes the present system hinders removing the structural deficits of financially weaker states.

A stranger, more convincing federalism is only possible in the long term with strong federal states. Only a new ordering of the states could achieve that," Mr Huber said.

The move by Bavaria and Baden-Württemberg may have an even wider impact. Action limiting financial transfers between states inside Germany, hitherto the most passionate supporter of European integration, could ease concerns that Europe's planned economic and monetary union will degenerate into a mechanism for transferring funds from strong to weak members.

But the German taxpayers' revolt should also set alarm bells ringing in other European Union capitals. It will reinforce Bonn's determination to seek a reduction in Germany's net contribution to the EU budget, an issue that is already making Germany a more difficult EU partner.

Prices for electricity delivered for the purposes of the electricity trading and settlement system in England and Wales				
Period	Unit	Price	Unit	Price
1997/98	1000 kWh	10.20	1000 kWh	10.20
1998/99	1000 kWh	10.20	1000 kWh	10.20
1999/00	1000 kWh	10.20	1000 kWh	10.20
2000/01	1000 kWh	10.20	1000 kWh	10.20
2001/02	1000 kWh	10.20	1000 kWh	10.20
2002/03	1000 kWh	10.20	1000 kWh	10.20
2003/04	1000 kWh	10.20	1000 kWh	10.20
2004/05	1000 kWh	10.20	1000 kWh	10.20
2005/06	1000 kWh	10.20	1000 kWh	10.20
2006/07	1000 kWh	10.20	1000 kWh	10.20
2007/08	1000 kWh	10.20	1000 kWh	10.20
2008/09	1000 kWh	10.20	1000 kWh	10.20
2009/10	1000 kWh	10.20	1000 kWh	10.20
2010/11	1000 kWh	10.20	1000 kWh	10.20
2011/12	1000 kWh	10.20	1000 kWh	10.20
2012/13	1000 kWh	10.20	1000 kWh	10.20
2013/14	1000 kWh	10.20	1000 kWh	10.20
2014/15	1000 kWh	10.20	1000 kWh	10.20
2015/16	1000 kWh	10.20	1000 kWh	10.20
2016/17	1000 kWh	10.20	1000 kWh	10.20
2017/18	1000 kWh	10.20	1000 kWh	10.20
2018/19	1000 kWh	10.20	1000 kWh	10.20
2019/20	1000 kWh	10.20	1000 kWh	10.20
2020/21	1000 kWh	10.20	1000 kWh	10.20
2021/22	1000 kWh	10.20	1000 kWh	10.20
2022/23	1000 kWh	10.20	1000 kWh	10.20
2023/24	1000 kWh	10.20	1000 kWh	10.20
2024/25	1000 kWh	10.20	1000 kWh	10.20
2025/26	1000 kWh	10.20	1000 kWh	10.20
2026/27	1000 kWh	10.20	1000 kWh	10.20
2027/28	1000 kWh	10.20	1000 kWh	10.20
2028/29	1000 kWh	10.20	1000 kWh	10.20
2029/30	1000 kWh	10.20	1000 kWh	10.20
2030/31	1000 kWh	10.20	1000 kWh	10.20
2031/32	1000 kWh	10.20	1000 kWh	10.20
2032/33	1000 kWh	10.20	1000 kWh	10.20
2033/34	1000 kWh	10.20	1000 kWh	10.20
2034/35	1000 kWh	10.20	1000 kWh	10.20
2035/36	1000 kWh	10.20	1000 kWh	10.20
2036/37	1000 kWh	10.20	1000 kWh	10.20
2037/38	1000 kWh	10.20	1000 kWh	10.20
2038/39	1000 kWh	10.20	1000 kWh	10.20
2039/40	1000 kWh	10.20	1000 kWh	10.20
2040/41	1000 kWh	10.20	1000 kWh	10.20
2041/42	1000 kWh	10.20	1000 kWh	10.20
2042/43	1000 kWh	10.20	1000 kWh	10.20
2043/44	1000 kWh	10.20	1000 kWh	10.20
2044/45	1000 kWh	10.20	1000 kWh	10.20
2045/46	1000 kWh	10.20	1000 kWh	10.20
2046/47	1000 kWh	10.20	1000 kWh	10.20
2047/48	1000 kWh	10.20	1000 kWh	10.20
2048/49	1000 kWh	10.20	1000 kWh	10.20
2049/50	1000 kWh	10.20	1000 kWh	10.20
2050/51	1000 kWh	10.20	1000 kWh	10.20
2051/52	1000 kWh	10.20	1000 kWh	10.20
2052/53	1000 kWh	10.20	1000 kWh	10.20
2053/54	1000 kWh	10.20	1000 kWh	10.20
2054/55	1000 kWh	10.20	1000 kWh	10.20
2055/56	1000 kWh	10.20	1000 kWh	10.20
2056/57	1000 kWh	10.20	1000 kWh	10.20
2057/58	1000 kWh	10.20	1000 kWh	10.20
2058/59	1000 kWh	10.20	1000 kWh	10.20
2059/60	1000 kWh	10.20	1000 kWh	10.20
2060/61	1000 kWh	10.20	1000 kWh	10.20
2061/62	1000 kWh	10.20	1000 kWh	10.20
2062/63	1000 kWh	10.20	1000 kWh	10.20
2063/64	1000 kWh	10.20	1000 kWh	10.20
2064/65	1000 kWh	10.20	1000 kWh	10.20
2065/66	1000 kWh	10.20	1000 kWh	10.20
2066/67	1000 kWh	10.20	1000 kWh	10.20
2067/68	1000 kWh	10.20	1000 kWh	10.20
2068/69	1000 kWh	10.20	1000 kWh	10.20
2069/70	1000 kWh	10.20	1000 kWh	10.20
2070/71	1000 kWh	10.20	1000 kWh	10.20
2071/72	1000 kWh	10.20	1000 kWh	10.20
2072/73	1000 kWh	10.20	1000 kWh	10.20
2073/74	1000 kWh	10.20	1000 kWh	10.20
2074/75	1000 kWh	10.20	1000 kWh	10.20
2075/76	1000 kWh	10.20	1000 kWh	10.20
2076/77	1000 kWh	10.20	1000 kWh	10.20
2077/78	1000 kWh	10.20	1000 kWh	10.20
2078/79	1000 kWh	10.20	1000 kWh	10.20
2079/80	1000 kWh	10.20	1000 kWh	10.20
2080/81	1000 kWh	10.20	1000 kWh	10.20
2081/82	1000 kWh	10.20	1000 kWh	10.20
2082/83	1000 kWh	10.20	1000 kWh	10.20

No Nigels in modern classics

The classical music industry is looking for new ways to boost sales, writes Alice Rawsthorn

If you walk into a UK record store today, after squeezing past the Spice Girls fans clamouring for copies of their new album, you might find another new release, a recording of Elgar's *Violin Concerto* by the Birmingham Symphony Orchestra and a violinist called Kennedy.

The violinist is better known under his full name, Nigel Kennedy. He and his record company, EMI Classics, have dropped the "Nigel" in an attempt to persuade the public to forget the "punk violinist" who once sold 2m copies of his Vivaldi's *Four Seasons*.

"Nigel's changed," says Theo Cap, managing director of EMI Classics (UK). "He wants to be positioned as a first-class violinist again."

Every element of EMI's strategy for relaunching Mr Kennedy is intended to present him in a "serious" light. Meanwhile, publicists at BMG/Conifer, a rival classical record company, are busy trying to schedule slots on populist television programmes, such as the Des O'Connor show and The National Lottery Live, for Lesley Garrett, their star soprano, whose new album, *A Soprano Inspired*, comes out in a fortnight.

Ms Garrett has striven to broaden her audience by singing *My Fair Lady* at the Hollywood Bowl, and including *Climb Every Mountain* among the Handel songs on *A Soprano Inspired*. She can afford to strike an accessible image because she is still highly regarded within the opera world; whereas the violinist-formerly-known-as-Nigel faces a tough task in rebuilding his image among classical purists.

His television appearances to publicise the Elgar album will be scrutinised by EMI and, no, Mr Cap does not consider Des O'Connor or the Lottery show to be "suitable for Nigel right now". Press interviews will also be rationed, and even the design of the album cover is deliberately self-effacing.

It features a photograph of a building (chosen to symbolise the British nature of the

Classical music



The album covers from BMG/Conifer's Lesley Garrett and EMI's Kennedy: can they boost sluggish classical record sales?

recording) rather than Mr Kennedy himself, and the composer, Edward Elgar, gets top billing.

Like other classical record companies, EMI desperately needs star performers whose albums are capable of achieving significant sales in a lacklustre market.

Classical record sales have been sluggish throughout the 1990s, falling from 16.8m units in 1990 - when the Three Tenors' *In Concert*, the best-selling classical recording ever, was released - to 14.7m last year, according to the British Phonographic Industry. The core market of devoted classical collectors has remained fairly stable, but the industry has had little success in expanding it.

"Sometimes you hear people working in classical music complaining that their core customers are all in their 60s, 70s and 80s, but it isn't true," says Neil Boot, marketing director of Virgin Records, the WH Smith subsidiary which is one of the UK's largest record chains.

"There's a healthy market of serious collectors out there. It's a niche market

compared to rock and pop, but it's sizeable. The problem is that it isn't getting bigger."

The companies that dominate the market, the specialist classical subsidiaries of multinational groups such as the UK's EMI and PolyGram of the Netherlands, continue to repack existing recordings and to issue new releases for collectors.

However, the profit margins on classical music are considerably lower than for rock and pop, partly because the cost of recordings involving entire orchestras and opera companies are so much higher, and partly because the level of sales is generally lower.

When the rock and pop markets were buoyant in the early 1990s, the multinationalists took a lenient view of the performance of their classical labels. They have since become far tougher, as rock and pop sales have stalled.

PolyGram, EMI, Sony and Bertelsmann have reshuffled the management of their classical subsidiaries. The new managers have cut costs, by shedding staff and deleting weak sellers, and

are now trying to find ways of stimulating sales.

Until recently, classical labels were convinced that they could expand their core market by persuading the people who bought cheap compilations of accessible music - such as *The Best Classical Album in the World... Ever!* and *The Best Opera Album in the World... Ever!* - each of which has sold 250,000 units for EMI's Virgin Records - to purchase complete recordings of symphonies, operas and concertos.

Those hopes proved unfounded. "Compliments sell very well in the short term," says Tony Shaw, classical product controller at the HMV record chain. "But there's absolutely no evidence to suggest that people then move on to buy full-price classical albums."

Record companies have tried other ways of drawing new consumers into the core classical market. This summer, EMI invested heavily in developing its Mini Classics series, a collection of 30 well-known pieces of classical

music, each lasting about 20 minutes, which retailed at £2.99, roughly the same price as a pop single.

EMI hoped that Mini Classics would be the musical equivalent of the successful Penguin 60s series of literary extracts, and that it would also act as an accessible introduction to longer classical recordings.

Retailers responded positively and EMI shipped large quantities of its Mini Classics to supermarket chains. But consumers were less enthusiastic and fewer than 80,000 copies were sold, well below EMI's expectations, according to Mr Cap.

Recent research by Virgin Records among affluent, well-educated over 35s - the type of consumers regarded as prime "converts" to classical music - suggests record companies are unlikely to succeed in turning them into classical collectors.

"The people in the research groups knew the difference between Mozart and Beethoven, but not what baroque music was; some said they did, but described something completely different," says Peter Duckworth, co-director of commercial marketing. "A lot enjoyed listening to Classic FM, but they were happy to hear edited versions of the music. They didn't want to listen to whole symphonies going on and on, with the noisy and tuneless bits."

"And they certainly didn't aspire to collecting classical music. They thought that was something anoraks did."

Other record companies have come to a similar conclusion. Rather than mounting fruitless attempts to "convert" unenthusiastic consumers, they are concentrating on proven ways of persuading them to buy occasional classical albums, notably by linking them to film soundtracks, like *Shine*, or to individual stars.

Even the optimists in the industry do not expect to replicate the success of the Three Tenors, whose 1990 and 1994 recordings had combined sales of 20m worldwide. But they are hopeful of matching the sales of younger tenors, such as PolyGram's Bryn Terfel and EMI's Roberto Alagna, or sopranos like Lesley Garrett, whose *A Soprano Inspired* sold 100,000 copies in the UK, prompting BMG/Conifer to sign her to a multi-album deal this summer.

Yet classical stars are hard to find. Many gifted musicians are deterred by the criticism of overly populist figures such as the old Nigel Kennedy, and others are reluctant to take time off from their performing schedules to fulfil record companies' publicity schedules.

Mr Cap says EMI is in the throes of combing through its catalogue to drop the artists who are not willing to promote their recordings, in order to concentrate its resources on those that are.

"The way ahead for a company like ours is to work with great stars who are really exciting and want to develop their recording careers," he says. "It's a question of developing the right artists, like Nigel. He'll never be a conventional classical musician, but he's a wonderful violinist."

A fresh approach to soap powder

P&G is cutting a dash with its new ads, writes Alison Smith

It seems as incongruous as an elephant on skates: Procter & Gamble, the US household and personal products group known for the size of its advertising budget and the staidness of its ads, is starting to cut a dash with its UK marketing.

A new openness to quirky or unexpected approaches can be seen in the way P&G's detergent brand Ariel is among the sponsors of the England football team for the 1998 World Cup; in the spoof "Men in Black" ad for anti-dandruff shampoo Head & Shoulders; and in the decision to launch the Ulay cosmetic range last month with a "virtual art gallery" of commercials showing the work of five contemporary women artists.

What marks these initiatives from examples of P&G merely behaving pragmatically in order to reach its target market is that they are mainstream brands for which more conventional approaches have previously satisfied the company.

The very fact that such moves have been approved turns the spotlight on the approach adopted by the world's largest advertiser. P&G has a rigorous system for measuring how a prospective campaign might change purchasing decisions.

Tamara Ingram, joint chief executive at ad agency Saatchi & Saatchi who has worked with P&G over several years, says: "The company is always interested in advertising that changes consumer behaviour and it has a great deal of knowledge about what works and what doesn't."

Critics say that P&G's knowledge is applied aggressively and heavily-handedly, in a system that tends to dilute creativity and produce advertising that "more often than not is incredibly dull".

P&G rejects the charge of conventionalism, but Sally Woodage, a public affairs manager at P&G, defends the traditional images associated with some of P&G's core household brands.

"We will always be looking for advertising that is relevant to customers. There's a limited value to advertising that is inspiring and exciting people who have no intention of buying our product."

The new initiatives reflect a sense within the company that many UK consumers are becoming increasingly sophisticated in their attitudes towards advertising. There's a limited value to advertising that is inspiring and exciting people who have no intention of buying our product.

"If you look across our portfolio of brands and how we market them, we are trying to be more innovative. Because there are so many new influences on consumers, you need to be more flexible and up to date in how you reach them."

Ms Woodage says: "As the consumer base changes and becomes more aware of advertising, we have to accept that there are other ways of building a bridge with our customers."

So far, the most striking approaches P&G UK has been pursuing have largely focused on categories such as cosmetics, where image is important. But if they prove effective, they could well spread to the bulk of P&G's most conventional sectors.

While the UK has not yet seen the last of the Daz dorm-pest challenge, the day is drawing closer when P&G may be prepared to swap one of its common-sense detergent ads for a new soap campaign with added creativity.

Durex builds a global brand name

Roger Taylor sees a creative approach to selling condoms

Advertising condoms and tampons has never been easy. There are always people who would prefer not to see such items mentioned in public.

Patrick Legrand is well used to dealing with the problem. He has recently moved from Tambrands, where he was a brand manager for Tampax tampons, to London International Group, where he will spearhead the company's new global marketing strategy for its foremost product, Durex, the world's leading brand in condoms.

The challenge in both cases has been raising the profile of a product which is liable to cause offence or embarrassment just by the mention of its name.

Many countries have restrictions on the advertising of such products - for example, Malaysia bans television and press advertising of condoms.

But there are ways of getting round this problem. The internet is one. It allows a company to communicate directly to consumers all over the

world free of interference from local regulators.

Satellite television is another. The relevant advertising regulations are those applying in the country from which the signal is first transmitted. As a result, London International is able to run a worldwide campaign for condoms on MTV, the satellite pop music channel, using advertisements which are not subject to local restrictions.

But controversy can also be turned to the company's advantage to whip up coverage in the media.

London International conducts an annual global survey on sex. The latest, released last week, includes an array of trivial statistics - for example, that the French have sex more often than the British but Britons do it for longer; and while men are more likely to want their partner to wear sexy underwear, women want their partner to drink less.

As a PR stunt it is extremely successful and got the Durex name mentioned in most UK newspapers.

In the US, where Durex is not the leading brand, London International is taking stronger measures. It has had a lot of coverage by funding a campaign, spearheaded by Jane Fonda, called Truth for Youth to fight "abstinence only" sex education programmes.

Mr Legrand's arrival at London International is the latest step in the company's plan to build the Durex name into a global brand. It has been buying local condom brands around the world and is bringing them together under a single brand identity.

Mr Legrand says the company is now in the second stage of this process. Having defined the brand values and after extensive market research, the company has decided that Durex is to be the "sensitive, loving, feeling brand". It is now ensuring that all local brands are under the global umbrella and promoting the Durex name world-wide.

FTid - The Internet Directory

Internet Directory

All of these can be accessed via hyperlink directly from the Financial Times at <http://www.ft.com>

TOP JOBS ON THE NET
www.jobs-on-the-net.com
The only free website with the latest job openings, vacancies and career opportunities.

www.machineryworld.com
Everything on machinery and components. Who makes what. Agency/Distributor/Maintenance wanted. Jobs. Supplies. Enquiries. Products. Check the data on your company and products. Only manufacturers listed.
FREE REGISTRATION

FOREX
Read Dave Reed
LIVE

World business news from Financial Times Television. 24 hour live commentary and FOREX analysis provided by Tullett & Tokyo

FT Television
Read it at www.ft-television.com (or www.tullett.co.uk)

Residential
For facilities and information see: www.stjamesclub.co.uk
Tel: +44 171 629 7688

International Internet Name Registration

net names
Have you registered your company, trade and product names around the world? 300,000+ names are already registered, are yours?
Protect Yourself. Register Now

FREephone 0800 269049 netnames@netnames.co.uk

FAXING = Time = Money
Fax Software = \$SAVE.000
Find out how your company can get the best in Fax Software Visit <http://www.unidirect.co.uk/ft>

ManoNet
Information solutions
Web-based groupware and electronic commerce - intranets and business application hosting - Domino and Lotus
New development and hosting - 0171 426 0474 - www.manonet.com

Holiday Inn
EXECUTIVE EXTRAVAGANZA!
<http://www.holiday-inn.com>
or E-mail us at xxhiw@csi.compuserve.com

Tenders on the web
An electronic database of public contracts worldwide.
www.tenders.co.uk
Telephone +44 (0) 171 257 8888

E.P.I.C.
Empowering People Internet Consultants
WE'LL DESIGN & LAUNCH YOUR COMPANY'S PRESENCE ON THE INTERNET
Tel: +44 (0) 1793 784227
e-mail: epic@emslife7.demon.co.uk
Get on line with an E.P.I.C. website <http://www.emslife7.com/epic>

EarthCouncil Organisation "ECO"
a free cyberspace commonwealth
Brains, courage and dedication needed to make this 21st century community a reality.
You are invited to join blue print discussion forums on structural legal, financial and social issues on <http://www.eco.co.za>

GAM
For information on GAM's unit trusts and unit funds see <http://www.ckidh.gam.com>
Email address info@gam.com
Tel: +44 1624 632 777

Every week on a Monday
the FT gives you the chance to advertise your internet site to the FT's influential readers in 160 countries worldwide.

In addition all advertisements also appear on **FT.com** - the FT's internet site. As part of the package we give you a unique opportunity to attract our readers to your internet site through a live hyperlink. The number of registered users accessing FT.com is running at 500,000 and is growing by 1,100 a day. For advertising rates and further details. Please call **MARLON WEDDERBURN** on **0171 873 4874**

Tim Jackson • On the Web

Crumbs from the golden cake

One of the wonderful things about the world wide web is that the number of people using it is so large - and is set to grow rapidly - that performing even a minor service to a small percentage of users can be big business.

This reminds me of a line from Tom Wolfe's novel, *The Bonfire of the Vanities*, when Sherman McCoy, the investment banker hero, is asked by his daughter exactly what he does. As he struggles to explain the basics of mergers and acquisitions to a five-year-old, his estranged wife stops in with a pithy answer.

She tells her daughter that McCoy is like someone whose job it is to pass around slices of an immense cake made of solid gold, and his pay consists of being allowed to keep the golden crumbs that fall as the slices are cut.

The best example of a "golden crumb" business is now one of the most prominent businesses on the internet: Yahoo. Founded by a pair of Stanford students who simply wanted to maintain a joint list of their

favourite sites on the Web, Yahoo is now a powerful content conglomerate offering an impressive range of free information services.

It makes money both from advertising and from commissions on the revenues from transactions carried out by its users with other companies who pay for a presence on its site.

But Yahoo is not the only business whose model is based on the golden crumb principle. Two weeks ago, I came across what looked like an idea that is so small as to be almost insignificant but brilliant all the same. Lured by an advertisement on a search engine, I found myself at a site called www.fortune-cookies.com.

Displaying a Chinese-looking medallion bearing the legend "Master Fu Fortune Cookie", the site's home page invites you to click through to a page showing pictures of three fortune cookies. Beneath each is the word "crack". Above the cookies is a banner ad.

When you click on the crack or the cookie, a scrap of paper opens up containing an epigram for the day. Try again, and the site warns that you are allowed to open

only one cookie a day. Banal? Maybe, but the site provides 10 seconds of light entertainment.

My first reaction was that this was a wonderfully recursive business idea. The site pays for advertising space on other sites to draw people to it, but displays banner ads which other companies will pay for.

The idea looked like a promising way to raise revenue with cheap content - the network equivalent of a magazine with almost zero editorial costs but a valuable advertising franchise.

Unfortunately, it wasn't quite like that. After a few visits I noticed that the banner ad always seemed to be the same link to a rather dull south German lottery.

But there are other real businesses based on the golden crumb. Wired News reported last week on companies that have found ways to profit from mistyped web addresses. One of them, Nerds Inc, has set up a service called "typo.net".

When you mistype a name - yahoo.com, for instance - you arrive at a web page which suggests that you probably missed the second 'o' from yahoo, and invites you to click on a link to the

right place. Before doing so, it shows you an advertisement which has been paid for by another company.

The site cannot be accused of claiming any association with the uniform resource locator (URL) you intended to type. Its home page describes the service as: "The first World Wide Web URL spell checker".

Another group, Data Arts, uses the same principle to promote its business. It has registered dozens of domain names that are similar to popular sites - Duracel, Budweiser, Cisco, Inseek, British-Air, Webcrawler, Levy Strauss, Mitablis, Lotos, Kalvinklein and Novelli - and displays a page on each of them advertising its own services.

To protect itself from trademark complaints, Data Arts begins each page with the message: "You have made a typo - we are not affiliated with or endorsed by your targeted destination."

Both groups provide a pointer to entrepreneurs. The principle is this: find a golden cake that is large enough, and then work out a way to get some of the crumbs. The results, as Sherman McCoy's wife knew so well, can be very lucrative.

MANAGEMENT

US corporations are using a range of initiatives to try to ease the burden for workers with children, says Victoria Griffith

Child care challenge

By working the night shift at AT&T's customer help lines in St Louis, Missouri, Diana Reed earns about 10 per cent more each month than if she worked during the day. While she needs the extra money, Ms Reed worries constantly about her three-year-old son. "AT&T tried to help me find a 24-hour day care centre, but it didn't help much; there was nothing affordable and convenient to my work or home."

In the end, she decided to drop off her child every night at his father's, from whom she is separated. Ms Reed also employs a childminder during the afternoons, while she sleeps.

The child-care conundrum, once viewed mainly as a by-product of dual-career, upper-income couples, is starting to gain visibility in the US as a concern for workers of all income levels.

President Bill Clinton shone the spotlight on the issue last month by proposing a \$300m (£185m) initiative for training and background checks for care providers. He promised to set out a comprehensive plan during his State of the Union address early next year and said he would work with the private sector on innovative solutions. First lady Hillary Clinton, credited for drawing her husband's attention to the issue, has promised to make quality child care a personal crusade.

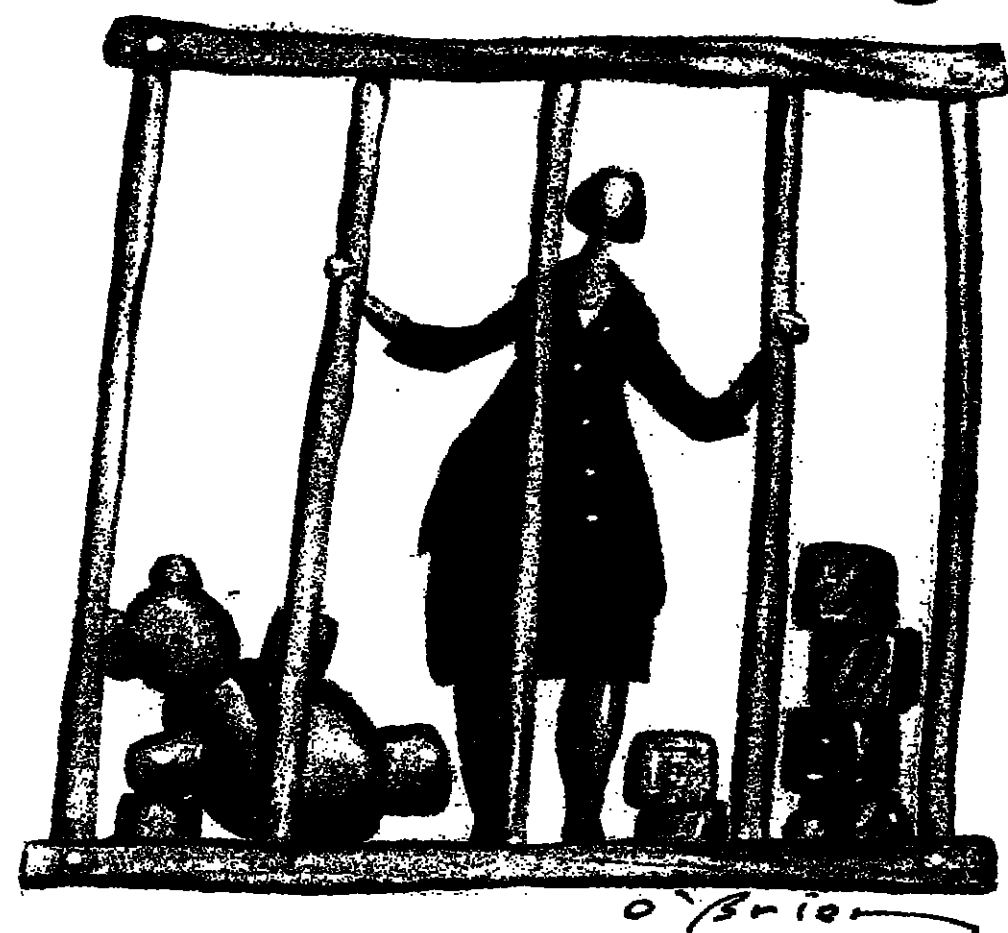
US corporations are increasingly aware of the impact inadequate child care has on their employees. One side-effect is absenteeism: if a nanny or child falls ill, for example, parents are often forced to stay at home. A recent survey by the Families and Work Institute, an independent research body, found that a quarter of employees with children under 12 took eight or more days off work each year because of child care troubles.

Sandra Vargas, vice-president of human resources at Chase Manhattan Bank, says she and her husband used up most of their remaining annual leave during a two-week period a few years ago when their childminder left unexpectedly. "It was very negative for my career because other workers had to get involved to help me meet deadlines," she says.

Workers' concentration is also affected. Hillary Clinton says that once when she had to be in court, her daughter Chelsea fell ill. She managed to get a childminder but she says her mind wandered, and she phoned home during every break.

Some of the greatest challenges are for workers in lower income groups. Good quality child care can be prohibitively expensive for this group, with employees working shifts outside the normal hours of nine-to-five often having the fewest options.

Lower-income employees are also more likely to be single par-



ents carrying most of the burden of child care. The problem for low-income workers has become so acute that some of the largest trade unions in the US have made child-care subsidies and back-up care important elements in their negotiations with companies in their negotiations.

US corporations are beginning to respond. On-site child care, the most popular solution of the 1980s, failed in many cases because parents did not want to drag their children with them on the long commute from the suburbs to the city. The focus has shifted to working with professional day care providers outside the company. International Business Machines has paid for day

care centres in Raleigh, North Carolina, to stay open for longer hours. In return, the centres set aside priority slots for the children of IBM employees. NationsBank offers a \$35 per week subsidy for child care to its low-income workers. Many corporations operate a referral service, which helps employees locate appropriate facilities.

Quality is of far more concern to corporations than it once was. Scientific studies in recent years have highlighted the importance of good quality care in the early years for children's development. An internal AT&T study revealed that the single greatest source of stress for workers was teenage children.

A growing number of employers in the UK, too, are taking action to improve child care provision, according to the National Council for One Parent Families, writes Diane Summers.

A government-backed report from the council, published last week, details the variety of approaches taken - subsidised nurseries and holiday play schemes appear to be the most widespread measures.

Examples given include the Ministry of Defence, which operates 31 workplace nurseries, providing 478 full-time places; Channel 4 television which makes child care payments of £150 a month to staff who meet certain criteria; London Electricity which subscribes to a

care centres in Raleigh, North Carolina, to stay open for longer hours. In return, the centres set aside priority slots for the children of IBM employees. NationsBank offers a \$35 per week subsidy for child care to its low-income workers. Many corporations operate a referral service, which helps employees locate appropriate facilities.

Quality is of far more concern to corporations than it once was. Scientific studies in recent years have highlighted the importance of good quality care in the early years for children's development. An internal AT&T study revealed that the single greatest source of stress for workers was teenage children.

A survey at the cosmetics group Johnson & Johnson revealed that 71 per cent of employees using family-life programmes rated them as very important in their decision to stay with the company. "Even workers without children appreciate the initiatives, because they are less likely to have to fill in for an absent or distracted colleague," says Betty Purkey, who is in charge of family life issues at Texas Instruments.

Yet progress has been far from universal and most US employees with young children can expect to face a child-care crisis at some point in their careers. President Clinton's focus on the issue will continue to prove welcome to parents caught between home and work.

**Lone Parents into the Workplace: the business case. EIS. From the National Council for One Parent Families, 255 Kentish Town Road, London NW5 2LX. Tel: 0171 267 1361.*

"We figure if our workers don't get good care now, we'll pay for it later, because their kids are more likely to have problems in later years," says Burke Stinson from AT&T. The concern has encouraged companies such as AT&T and Citibank to train workers in basic skills, including safety and hygiene, and provide air equipment and computers to centres free-of-charge.

While most corporations still have a long way to go in addressing child care issues for their workers, Americans feel there has been some improvement. Faced with a tight labour market, US corporations increasingly depend on family-life programmes to inspire loyalty in their labour force.

A survey at the cosmetics group Johnson & Johnson revealed that 71 per cent of employees using family-life programmes rated them as very important in their decision to stay with the company. "Even workers without children appreciate the initiatives, because they are less likely to have to fill in for an absent or distracted colleague," says Betty Purkey, who is in charge of family life issues at Texas Instruments.

Yet progress has been far from universal and most US employees with young children can expect to face a child-care crisis at some point in their careers. President Clinton's focus on the issue will continue to prove welcome to parents caught between home and work.

**Lone Parents into the Workplace: the business case. EIS. From the National Council for One Parent Families, 255 Kentish Town Road, London NW5 2LX. Tel: 0171 267 1361.*

James Harding meets one of the few Chinese managers to have achieved star status

A single-minded approach to quality

Zhang Rulin is famed for smashing up faulty refrigerators in front of his workers: his reputation dates from the 1980s when he took a sledgehammer to sub-standard goods to teach employees a lesson in quality control.

The president and chairman of Haier Group, the state-owned white goods maker, is one of the very few managers in mainland China to have achieved anything approaching star status.

The culture still tends to fit the proletarian rather than the boss. Even the notion of a professional manager is relatively new in China's infant corporate culture, where the heads of so many state companies are party officials transferred from the government bureaucracy. Some are earning a few years' business experience before returning to government service; others are simply put out to pasture in a local boardroom. But Mr Zhang, who has served Haier since he took over the management of what was a heavily indebted company in 1984, says he has no interest in official promotion.

"My only interest is in managing the business. I am not an official and I don't want to be an official," he says. "I want to be an official, but I don't want to be an official."

He has won back market share from foreign competitors such as Whirlpool of the US, and sales have soared from 1984's five years ago to 1996's 1.5 billion yuan (\$200m) this year. While Haier's 1996 turnover may be the Chinese state, he says the company is structured as a collectively owned enterprise, not a government-owned one.

Such single-mindedness and relative independence has distinguished Haier from the tens of thousands of state companies, where "the management instinctively turns to the government when a problem arises, rather than standing up to the market," says Mr Zhang.

Mr Zhang has expanded rapidly over the last few years. It has bought, merged or absorbed more than 15 state enterprises. Last month, the company, which made its name selling refrigerators, started making colour televisions as part of a strategy to become a complete domestic appliance manufacturer.

Along the way, Mr Zhang says he has seen the chief problems in state enterprises. The companies he has taken over were generally endowed with decent equipment and many had adequate capital, but lacked the

competitive spirit within the organisation that encourages "people to fulfil their personal potential".

Promotion in most state companies depends more on patronage than performance, but at Haier they have developed an "objective appraisal system". All of the company's 13,000 employees are assessed monthly and salaries and advancement hinge on these appraisals, which takes complexity of a job, the quantity of work and quality of service.



Zhang Rulin, president of Haier Group

Mr Zhang must maintain quality. "Quality is the lifeblood of the company," he says. "If you lose quality, you lose the market." He has a reputation for being a hard taskmaster, but Mr Zhang's employees say he is a fair manager who has offered a mechanism to other Chinese managers and workers to improve efficiency, as well as a lesson in two of the less palatable features of the market economy: wage inequality and job insecurity.

President Jiang Zemin told a congress of the ruling Communist party recently that China would accelerate the reform of state industry, increasing efficiency by cutting surplus workers, restructuring company ownership, reducing state subsidies and forcing enterprises to face up to the rigours of the market.

Mr Zhang seems to drum a competitive spirit into the state sector. Officials are looking at Mr Zhang's methods to bring the new corporate mentality to state companies. He says 130,000 people from state companies and government departments visited Haier's headquarters in Qingdao, on China's eastern seaboard, this year.

But Mr Zhang looks for the field to find models for managing Haier. "From the Japanese, we have learned

about teamwork and the Americans have shown how to encourage innovation, creativity," he says, mentioning for the third time in the interview the "enterprise culture" that distinguishes General Electric of the US.

Given the choice of his synthetic fibre suit, the soft leather slip-on shoes, bland company tie and the street barber's crop of his hair, Mr Zhang has not adopted the outward style of an American manager. But he has a profound interest in US business thinking - an avid reader of western business books, Mr Zhang has just finished Peter Senge's *The Fifth Discipline*, which he appreciates for its emphasis on what he describes as the idea of a "people-nurturing business".

Meanwhile, Haier is squaring up for the awkward problems that lie ahead for what is still only an infant success story in a developing economy. The company has begun to diversify, starting pharmaceuticals production this year - a move that has unnerved analysts who fear Haier may expand too rapidly into areas in which it has no expertise. Overseas, Haier has set up a production facility in Indonesia, is closing a deal in Malaysia and looking to set up production facilities in South Africa and Mexico.

There are also doubts about how Haier will fare in the West. So far, Chinese companies enjoy a brief period of grace while their charismatic person leads the business, only to be hit by inefficiency, corruption and corruption when an inadequate apparatus takes over.

Also, Haier has ambitious financial plans: it aims to issue \$100m (£65m) of shares on the Shanghai Stock Exchange (3 shares are for foreign investors) and is mulling a dual listing on international markets and a possible Hong Kong share issue. Mr Zhang believes that "in the future the Chinese yuan will be fully convertible, so we will need to learn and understand much more than we do about financial management".

Mr Zhang does not seem unduly concerned by the technical details of expansion, which he says he leaves to heads of department to decide more or less independently. His confidence comes, he says, from having drilled his staff in the need for quality - "the lesson he took by smashing faulty fridges in front of his workers. Standards will be maintained only as long as the workers are motivated people," he says. "The problem for us will be personnel. The question is can we maintain the quality, can it keep pace with our growth?"

Take heart and ignore the the stock market gyrations

For those Financial Times readers who peruse the paper as the tube hurtles into the City of London, last week's ride was even more nerve-racking than usual. But others - the ones who make brass bedsteads in Birmingham - were probably chortling over their cornflakes. Were they right? Or do the gyrations of the stock market matter to the real economy?

Even if the bedstead manufacturer does not shed any tears when City speculators make less money, it is these profits which are used to buy his bedsteads. A fall in wealth reduces demand for output, and so may create knock-on effects from a market crash.

But does a market crash really represent a reduction in wealth? Ultimately, stock market values are based on the expected earnings of corporations, and if these are lower then everyone who has a claim on the earnings of corporations is worse off. But when the stock market falls by 15 per cent in a week, it is not because traders have revised their earnings estimates downwards. It is because a speculative bubble has burst, and the underlying values of shares - measured in terms of the earnings they will generate - have changed little, if at all.

But behaviour is influenced by how well off people think they are, not just how well off they actually are. Sometimes this effect can be large. In the 1980s, when the stock market boomed and rising house prices were a standard topic of dinner party conversation in the UK, for example, consumption grew much faster than income and the savings rate fell to unprecedentedly low levels.

But that has not happened this time. If people are wisely sceptical of the reality of their paper gains, they will also be wisely unconcerned if these paper gains evaporate.



John Kay

So what of the effects of stock market levels on investment? Doesn't a rising stock market facilitate the issue of new equity, lower the cost of capital, and so encourage new investment? If it does, then a market crash could lead companies to cut their investment plans. Here too the issues are more complicated than they seem. First, the stock market ceased a long time ago to be a significant provider of new funds for industry in the UK and many other places. Over the last 20 years or so, the principal source of new equity has been privatisations and demutualisations, which simply represent a transfer of assets which already existed.

Flotations of new businesses and issues of new shares by established companies have been matched by share buy-backs and cash payments for acquisitions. Corporate investment is funded, not from the stock market, but principally from retained earnings and secondarily from borrowings.

Second, you might expect that high share prices would encourage companies to invest in new assets while low share prices would allow them to pick up existing assets cheaply through buying other companies. But the reality seems to be the other way round. Every stock market boom has been associated with a frenzy of merger and acquisition activity, and the last is no exception. In retrospect, it may be that merger Monday, when five large international deals were announced on the same day, proves to be the top of the last bull market.

And third - and paradoxically - the way in which the cost of capital is conventionally measured means that the higher the levels which markets reach, the higher, not lower, is the cost of capital. The usual means of measuring the cost of equity is to add an equity premium to the risk-free rate. The risk-free rate is found by looking at the yield on government bonds. The equity premium is measured by calculating the average amount by which historic returns on equities have exceeded earnings on these safe assets.

Over the period for which reasonable data is available - broadly, the period since the first world war - this equity premium has averaged an astonishing 8 per cent in the UK and the US. Unless you were very unlucky in the time at which you chose to invest, most sub-periods

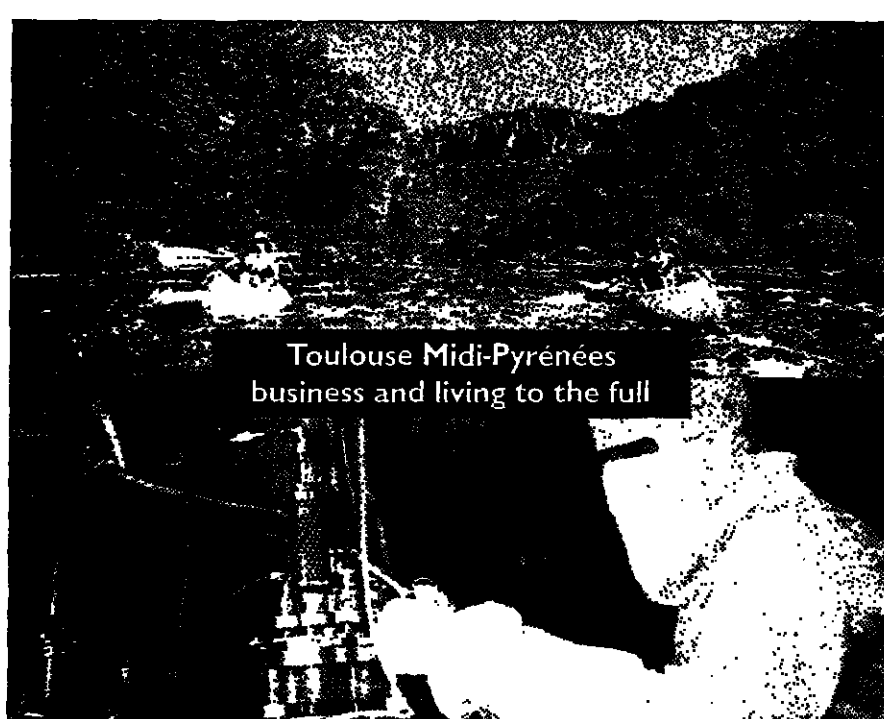
have shown similar returns. The most convincing explanation of the size of the premium used to be that investors had consistently underestimated inflation. Those who had bought bonds had done worse than they had expected, while holders of shares had done better.

But the difference between bond and equity returns has persisted even in the 1980s and 1990s, in which inflation has generally been overestimated by investors. The boom in the stock market in 1987 and 1997 has ensured that all estimates of the cost of capital have remained high. The only thing that will stop finance professors from arguing that companies need real returns well over 10 per cent before they should invest will be a prolonged stock market slump. That is another reason why we should not worry too much about the effect of market fluctuations on investment.

So the objective effects of market fluctuations on consumption and investment will be rather marginal. But there are more subjective effects on confidence. When Wall Street experienced its first great crash, in 1929, the consequences of the turmoil were combined with the unsound capital structure of many American businesses to produce a near collapse of the fragmented US banking system. This was a significant contributor to the depression which followed. Something similar is happening in Thailand today.

But western economies, complex and battle-hardened, are today much more robust to these developments. If you are a manufacturer of brass bedsteads, reading this over your cornflakes in Birmingham, you can probably chortle on.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column answers fortnightly.



Toulouse Midi-Pyrénées business and living to the full

Aerospatiale
Airbus Industrie
Alcatel Space
Bosch
Laboratoires Fabre
Matra Marconi Space
Motorola
Nutrition et Santé
Pioneer France Mais
Rouffort Société
Sanofi Recherche
Siemens Automotive
StorageTek

Professionally, as for pleasure, Toulouse Midi-Pyrénées offers a healthy balance. Business is at home; home is a pleasure. Ask 108,000 students, 65,000 other Europeans, 10,500 scientists and all the business leaders why they chose Toulouse Midi-Pyrénées.

They will be enthusiastic about the remarkable mix of technology and know-how: aeronautics, space, robotics, biotechnology, electronics, food and telecoms.

But they are passionate about the sun, spectacular country, music or rugby - in other words, living to the full.

Why not come and join them?

Call us about your projects for relocation or partnership in Toulouse Midi-Pyrénées.

Tim Wood, CDP
36 Earl's Court Square,
London SW5 9DQ
Tel: 0171-370 6939
Fax: 0171-835 2081



Toulouse Midi-Pyrénées, l'essentiel est ici

Lunching and learning

A happy student is a smart student writes Della Bradshaw

Every week Robert Hamada, dean of the Chicago Graduate School of Business, has lunch with a group of his students. It is not merely a social event. It is the result of a policy decision by the school that it had to be better informed about the needs of students.

With four Nobel prize winners on its staff, the academic standing of the school has never been in doubt, says Prof Hamada. "But we really did not put enough stress - I'll say this openly - on the other services to our students and alumni."

Chicago is not the first US business school to come to this conclusion. Just a couple of years ago Kim Clark, the new dean at Harvard Business School, made the same decision. He followed in the footsteps of Thomas Gerzky, the slick principal at Wharton, who had taken his school to the top of the league tables with a revamped MBA programme and a policy of involving students, academics, alumni and business in the school's decision making process.

Prof Hamada acknowledges that he is following a similar route. "Some schools caught on to this sooner than others," he concedes.

One of the quick fixes made by Prof Hamada has been to improve the buildings. Over the summer he spent \$4.3m (£2.65m) on fast-track improvements to existing campus buildings. Students are now participating in the design of a new campus building which will house lecture theatres and a student lounge.

There have been other moves to improve the quality of student life. Some are relatively banal: two offices dealing with student regis-



Dean Robert Hamada admits Chicago school of business once neglected the non-academic needs of students

tration and "student life" (clubs and associations) have been moved next to the classrooms so students do not have to trek across campus. ("The winter gets somewhat cold in Chicago," explains Prof Hamada.)

There has also been a push to increase the number of clubs and student interest groups.

Other moves have been more innovative. A mentoring system has been introduced to help all

first-year students on the two-year MBA course. Each first-year student is assigned two second-year students plus one alumnus of the school to help with career development.

Prof Hamada calculates that some 10,000 MBA alumni live in the Chicago area and he intends to tie them more closely into the school. Chicago now gives all graduating students free e-mail for life and they are becoming increas-

ingly involved in advisory committees for the school. "The best salesmen you can get for your school are satisfied alumni," Prof Hamada points out. "Harvard is the very best at this."

Recruiters form a further plank of Prof Hamada's reforms. He argues that corporate recruiters should expect to be treated by a business school with the same degree of professionalism as they would expect from their corporate

suppliers or clients. One concern is the allocation system for recruiters who want to present their company to students on campus.

Some slots are clearly more prized than others, so Prof Hamada has set one of his brightest economists the task of devising a way of allocating the slots. An announcement on the formula will be made on December 1 next year.

From a purely academic point of view Prof Hamada has split the position of deputy dean for the MBA so that one person can deal with the full-time programme and another with the part-time programme.

A major curriculum review has been completed and special focus has been put on general management. As well as broadening the teaching base, Prof Hamada hopes this will bring in students from a wider range of backgrounds, especially women. "We have to get more women to apply," he says. "We are very discipline-based and this attracts a greater percentage of people with science and engineering degrees. That can be changed."

There is now only one required course on the MBA, leadership, which the students study in their first year. Students then have to take courses in specific subject areas but they can choose the degree of difficulty: if it is a subject they know well they can take a high level course; if not, they can take a base level course.

Students who want to go into finance are free to take all their subject in that area, says Prof Hamada. "We treat our students as adults."

NEWS FROM CAMPUS

Consultants' masterclass

The link between graduate business school students and consultants is legendary, but where do consultants go if they want to find out the latest management theories?

The consulting arm of Price Waterhouse has opted for Templeton College, Oxford, where the partners will attend a series of masterclasses from December.

The masterclasses will look at the latest research in management practice and will be taught by both Templeton professors and visiting faculty. Topics include globalisation, shareholder value and the impact of technology.

Price Waterhouse chose Templeton because of the depth of its research and its contacts with faculty at business schools worldwide.

Templeton: www.templeton.ox.ac.uk

Wired for learning

Students at the University of North Carolina at Chapel Hill will be able to take part in a pilot course in microelectronics via the internet from next spring.

The course, devised by Robert Connolly, associate professor of finance and economics at the Kenan-Flagler business school, will combine documentary-style television programmes with internet-based teaching.

Each week the undergraduate students will watch a one-hour lecture, delivered by broadcast, cable or videotape, and then participate in a two-hour classroom session via the internet. Students will

travel to the university to sit mid-term and final examinations.

The internet campus will be provided by University Access, a distance learning company in Los Angeles.

The organisation was co-founded by Alec Rudnut, himself a graduate from UNC-CH. UNC-CH: US, 919 962 1134; University Access: www.universityaccess.com

Mysteries of the east

Guides to business schools in North America and western Europe are plentiful, but it has always been difficult to find a guide to business schools elsewhere. Now the Central and East European Management Development Association has produced a revised directory of the best 32 schools in 10 countries in that region.

The guide gives information on the school, courses available and course fees. It costs \$8 (\$4.90).

Ceeman: Slovenia, 64 221 761

Kanter takes the stage

Rosabeth Moss Kanter, the internationally known management expert and Harvard professor, will give a special presentation in London to the Association of MBAs on November 19.

The morning meeting, *Business and Organisational Strategy for the 21st Century*, is open to members of the association and guests. The price, £90 and £115 respectively, includes a copy of Prof Kanter's latest book, *Rosabeth Moss Kanter on the Frontiers of Management*. Association of MBAs: UK, (0)171 837 3375

Business women learn how to take Czechs



IN THE CLASSROOM

Last month in the Czech management centre in Celakovice, 35 managers could be heard calling out their names. It was not part of some spiritual exercise but a voice training exercise run by Noemi Zarubova, dean of the local Academy of Music, who was persuading conference participants that personal presentation is critical to business success.

This was not the only unusual aspect to the four-day event. All

the participants and most of the speakers were women. The conference itself was organised by four women, as a project for their MBA degree at IMD in Lausanne.

All MBAs at IMD have to complete a team initiated enterprise (Tie) project to graduate from the one-year programme. The four, Jenny Campbell and Julia Thomas from the UK, Liz Holland from Australia and Valerie Binner from Sweden, decided soon after they started their course in January that they wanted to form a group to see through a project that would

help women entrepreneurs from eastern Europe.

By February they had decided to concentrate on the Czech Republic and by April, having sounded out business women there, had ditched their original plan for a conference on how to export to western Europe in favour of a conference on fundamental business issues. Tax management, financing and international alliances were among the list of topics.

The biggest problem was the language says Ms Binner. "We had to have everything - the invitations,

the programme - translated into Czech. And we had to find the right software to do that."

The second difficulty was how to organise things in the Czech Republic - where to hold the conference, for example. Then says Ms Binner, there was the problem of finding "quality" speakers.

The Business and Professional Women's Association in the Czech Republic helped the four to develop contacts. Ms Binner says one thing they learned was "the power of networking". Other useful lessons were what makes a successful

woman entrepreneur, and how to do business in the Czech Republic.

"We managed to pull this off in the middle of a very busy year. We learnt that if you really want to do something you can make the time to do it," she concludes.

The Tie projects completed at IMD can range from the sublime to the ridiculous. This year, for example, one group sent radio equipment to Indians in remote areas of Mexico; another organised whisky and wine tasting for their peers.

DB

Maximise your impact as a company director

IoD Diploma in Company Direction
Masters in Corporate Direction
by distance learning

Directors and aspiring directors can now benefit from the only tailor-made development programme which:

- can lead to a Diploma in Company Direction and then to a Masters in Corporate Direction
- is endorsed by the Institute of Directors
- you can study by distance learning

Find out more by ordering the prospectus from the publisher:
Pitman Publishing, 128 Long Acre, London WC2E 9AN
Call: 0171 447 2021 Fax: 0171 240 8018
e-mail: becky.warren@pitmanpub.co.uk

BUSINESS AT OXFORD

Leaders can help the good become the best

But there is no one "silver bullet" for leadership success. As in all things it starts with asking the right questions.

The Oxford Strategic Leadership Programme has shaken the preconceptions of a generation of executives, challenging them to think hard and deep on key issues and in turn perform with greater creativity, effectiveness and vision.

A fizzing mix of new ideas, demanding projects and insights from business leaders, orchestrated by world class tutors, it offers a life-time opportunity to explore what makes for successful leadership.

Are you ready to join a handpicked group of high calibre international executives as they work out their own answers and approaches to these crucial questions?

9-14 November 1997; 10-15 May; 1-6 November 1998

Return to Dorothy Cooke, Templeton College, Oxford, OX1 5NY, UK
Please send details of the Oxford Strategic Leadership Programme
Name: _____ Address: _____
Tel: _____ Fax: _____ Email: _____
Tel: +44 (0)1865 422500 Fax: +44 (0)1865 422501
Email: dorothy.cooke@templeton.oxford.ac.uk
Internet: <http://www.templeton.ox.ac.uk>

Business Education

page appears every Monday

The FT is circulated in 160 countries worldwide and is read by an audience of businessmen and women working in a variety of business sectors.

Business courses are an essential part of the working life of our readers and the Business Education page is the marketplace for advertising your MBAs and Courses.

Whether you want to promote your courses in finance or general management the Business Education page gives you the opportunity to reach corporate decision makers and ambitious young executives.

For advertising information please call 0171 873 3234

Financial Times

BUSINESS TRAVEL

Travel Update • Roger Bray

Laptop limits

Business travellers face a ban on the use of laptops while flying through German airspace. Passengers tempted to ignore it could be fined up to DM100,000 (£34,364) - or even jailed. But the wheels of legislation grind slowly. Although the Bonn government wants to remove any risk that these and other electronic devices might interfere with aircraft control systems, its proposal looks unlikely to become law until late next year. Concern has been heightened by a pilot's

report that a passenger using a video camera interfered with crucial landing equipment as he approached an airport this year. Meanwhile Lufthansa continues to insist that certain equipment, including laptops with combined printers, cordless mice and CD-Rom units, are switched off in flight.

First for Hilton

A new hotel is to be built at Copenhagen airport at a cost of about \$40m. Operated by Hilton International, it will be the

chain's first venture into Scandinavia. Scheduled to open in 2000, the 350-room hotel will have a pool, fitness centre and meeting rooms with a capacity for 300 people. It will also have access to the terminals and the airport's planned rail station, which is due to open next year with trains running to the city centre in nine minutes.

Ticket-free travel

Ticketless travel is gradually spreading to more international routes. Singapore Airlines is planning to introduce it on flights to Hong Kong, the US, Australia and the UK

during its 1998-99 financial year. The airline has already launched ticketless travel on services from its home base to Kuala Lumpur and Penang, enabling passengers to use credit cards to book and pick up boarding cards.

Snooze in the sky

Beds on aircraft have always looked an attractive marketing tool but airlines usually find something more productive to do with the space. They have usually contented themselves with reclining first class seats. With jets soon able to fly for 20 hours non stop - and with lower decks that can be converted

into sleeping areas - beds are back on the agenda. Virgin Atlantic has decided to fit them on its Airbus A340-600s, though it is expected to offer them initially on non-stop flights from London to South Africa. Boeing is also considering installing 40 beds on its forthcoming 777-300ER.

Swing a free ride

Earn free flights while perfecting your swing. Members of American Airlines' frequent flyer programme can pick up miles by taking golf lessons. If they sign up for three days of lessons at the

Nicklaus/Flick golf school, they will earn 5,000 miles plus 15,000 if they attend before May 31. That is enough for a return ticket between London and Venice. Lessons are available at various US courses and in the UK at Carden Park, Chester, where another 1,000 miles can be earned on a one-day "faults and cures" golf school clinic.

Finally... beware

Keep a tight grip on your wallet and laptop at Johannesburg airport. The UK foreign office warns that pilfering is rife, particularly in the baggage and immigration areas.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri
London	15-20	15-20	15-20	15-20	15-20
New York	15-20	15-20	15-20	15-20	15-20
Frankfurt	15-20	15-20	15-20	15-20	15-20
Paris	15-20	15-20	15-20	15-20	15-20
Amsterdam	15-20	15-20	15-20	15-20	15-20
Brussels	15-20	15-20	15-20	15-20	15-20
Madrid	15-20	15-20	15-20	15-20	15-20
Rome	15-20	15-20	15-20	15-20	15-20
Stockholm	15-20	15-20	15-20	15-20	15-20
Copenhagen	15-20	15-20	15-20	15-20	15-20

CLUB CLASS

Smart cards help track passengers

British Airways is tracking passengers electronically in an effort to combat flight delays. The aim is to alert airport staff earlier when passengers are likely to arrive late at the gate, reducing the risk that pilots will miss crucial take off slots.

In a three-month trial, customers checking in at the airline's Victoria Station terminal in central London, before catching trains to Gatwick, are being issued with smart cards which incorporate chips carrying information similar to that printed on their boarding passes.

A radio aerial near passport control in the airport's North Terminal automatically reads the cards, so that staff know whether the travellers have entered the departure lounge.

The airline claims it is the first in the world to use such technology. Its experiment is part of a £35m, five-year drive to improve punctuality.

BA is concerned that delays, particularly at Heathrow, are deterring customers and hitting revenue. A recent report by independent management consultants urged a number of improvements, including closer liaison and harmonisation between departments.

BA says around six per cent of flights are delayed either because travellers are late getting to the gate - or fail to turn up altogether. At

busy times, missing a slot because of a single customer can force an aircraft full of passengers to sit on the tarmac for 30 minutes or more as their aircraft slips down the queue for take off.

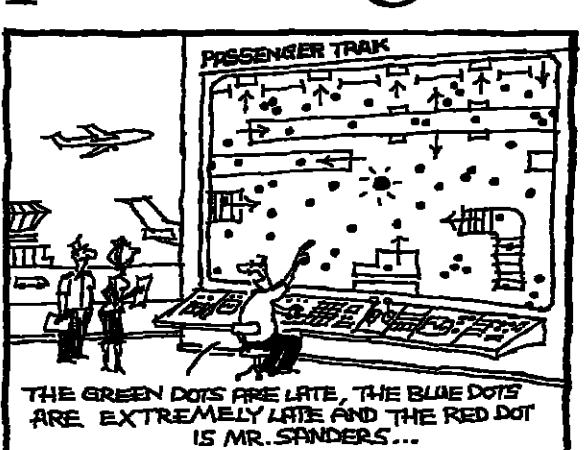
Victoria Station was chosen for the test - a joint project with electronics company Phillips - because the rail journey increases the risk that passengers will go missing.

If the idea is a success, it is likely to be extended to cover travellers checking in at airports. Heathrow, where BA's operation is split between two terminals, is an obvious candidate.

BA says the test will show whether customers find it acceptable. In the first week of the trial around 500 passengers were supplied with cards and their reaction was said to be "very positive".

In this embryonic form, however, the system is unlikely to bother them. They need never handle the cards, which are placed in their ticket wallets and retrieved at the gate for re-use.

The airline insists it will not consider any wider application for the cards until the current test ends in January.



But the possibilities are extensive. They could, for example, help staff head off hold ups which occur while bags, checked in by passengers who then fail to show up at the gate, are taken off the aircraft.

They could even be used to track passengers' movements in the terminal, showing how much time and money they spend in shops, for example, and raising questions of privacy.

The launch of the system comes at a time of worsening delays. Recent statistics from the Civil Aviation

Authority showed that the proportion of scheduled flights getting away on time at UK airports fell from 80 per cent in the second quarter last year to 74 per cent in the equivalent period this year. "On time" is qualified as early to a maximum of 15 minutes late.

With air traffic continuing to grow, pressure on runway capacity intensifying at many large airports - and environmental resistance making it hard to build new ones - such efforts to cut out avoidable delays will assume ever greater importance.

Airline takes the controls at City

Lufthansa has assumed full control over its operations from the London City airport. The airline's flights from London City to Frankfurt were previously operated by Business Air, a small airline with a very limited fleet.

Now the flights will be operated by Lufthansa's own AVRO RJ-85 aircraft. The jet will have a single "city class" configuration with five seats a row.

Lufthansa said the takeover of the London-Frankfurt operation was part of a policy that recognised the increasing importance of the City airport not only for travel between London and Frankfurt, but also for connecting flights from Frankfurt.

Lufthansa operates three flights a day from the City to Frankfurt during the week and an evening flight on Sundays.

It will soon introduce a return and through check-in facility at the City airport for transit passengers, and might also install electronic self-check-in machines next year.

Arkady Ostrovsky

Living in fear of frequent flying

Many families suffer from the absences of an executive spouse, says Farrol Kahn

One executive recently worked out that he had made 107 business air trips last year. His territory includes eastern Europe where he shuttles between Moscow, Budapest, Bucharest, Warsaw, Zagreb and Belgrade.

In five years he and his family moved five times - from Switzerland to west Africa, central Africa, the Middle East and eastern Europe.

For most frequent flyers this is perhaps normal, but for outsiders it seems like a glamorous lifestyle which they aspire to or envy. The reality is different. Every time these global players take to the air, the lives they leave behind can unravel.

The rapid and unrelenting cycle of partings and reunions can lead to families suffering from the intermittent Spouse Syndrome (ISS), causing psychological problems for some frequent flyers and their families.

A pattern of symptoms, including anxiety, depression, sexual difficulties and sleep problems, was recognised in an RAF study and in another on the wives of

offshore oil rig workers. The main cause was the absent spouse dislocating the family pattern of family life and putting great stress on the remaining spouse.

There are three recognised ways in which people respond to a frequently absent spouse.

First, there is the wife or husband who finds it difficult to adjust to the spouse's comings and goings. They feel anxious, lonely, depressed and incomplete during their absence and will count the days until they return.

In the second category, the non-travelling spouses maintain the same lifestyle irrespective of these comings and goings. They learn to cope by extending their own interests and enjoying the freedom and responsibility of being left in charge.

The third way is for the at-home spouse to resent the other's absence and then the return. They feel angry that their needs are neglected.

Few families do not have arguments when the absent spouse returns. Executive wives, for example, often resent the additional pressure of being expected to

drop everything and entertain important clients on the husband's return.

Research conducted by the World Bank on its employees who travelled frequently found an increase in psychological disorders. Dr Bernard Demure, director of the bank's health service, heard complaints of depression, nervous anxiety and sleep disturbance.

"We first attributed these symptoms to jet lag, but we realised that other significant factors were involved. The three main influences are separation from home and family, workload and lack of back-up abroad."

Among 500 frequent flyers surveyed by Hyatt Hotels, 15 per cent said their absences had had a negative impact on their marriages and 68 per cent admitted they would happily forgo the trips.

The irony is that despite being cosseted by business class travel and generous expense accounts, frequent flyers are often suffering from the same problems as their families back home.

Farrol Kahn is Director of the Aviation Health Institute



In 1996, LG invested over US\$9 billion to grow its business.



We put people first.

Sequoias stand as a testament to nature's power to create life and growth.

But sometimes nature needs a little help. That's why LG Chemical researchers like Dr. Park have created Eutropin[®], a biosynthetic human growth hormone that's helping children with growth disorders overcome the disability that nature dealt them.

Our many other technologically sophisticated products include one-time programmable microcontroller units, ISDN-compatible videoconferencing systems, and digital mobile telecommunication systems.

These products enrich the lives of the people who use them. But none gives us as much pride and joy as Dr. Park's miraculous work.

Now, what can we do for you?



<http://www.lg.co.kr/>

ARTS

OPENINGS

LONDON

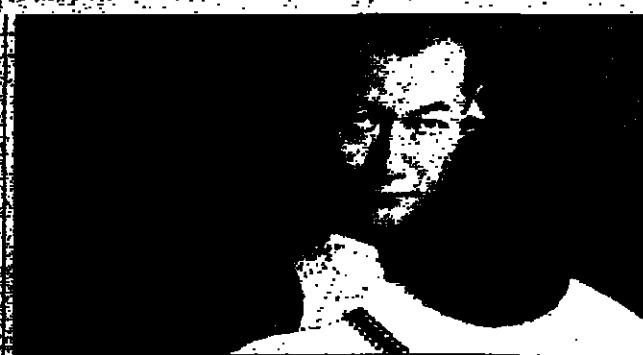
The 41st London Festival opens at the Old Vic Theatre on Thursday with a performance of Robert Schumann's *Die Aschenbrödel*, adapted from George Sand's novel, starring Richard Wilson and Helen Bonham. The festival runs until November 15.

The Royal Opera, under director Valery Gergiev, will perform *Die Aschenbrödel* at the Theatre Royal, Drury Lane, on Sunday for a single performance. It is the first of a series of performances in the season in Paris.



Holbein's heavy canvas painting of two ambassadors, the court of Henry VIII, is the centrepiece of an exhibition at the National Gallery, which also includes a number of other works by Holbein, including the *Portrait of Erasmus* and the *Portrait of Desiderius Erasmus*.

Holbein's heavy canvas painting of two ambassadors, the court of Henry VIII, is the centrepiece of an exhibition at the National Gallery, which also includes a number of other works by Holbein, including the *Portrait of Erasmus* and the *Portrait of Desiderius Erasmus*.



His collection of own paintings, his sketches, and his letters are scattered across the world after the Nazis' rise to power - will be partly reconstructed in this exhibition, which runs till mid-January.

NEW YORK
Marcelo Pato, an opera with music

by Ian Durr (above) and a libretto by Paul Griffiths, receives its US premiere at New York City Opera on Saturday. The composer, conductor, Martha Clarke is the director and the sets are by Debra Booth.

BERLIN
The latest branch of the

Guggenheim Museum is Deutsche Guggenheim Berlin, which opens its doors on Unter den Linden on Friday. The inaugural exhibition is devoted to the Paris series paintings of Robert Delaunay, dating from 1910-12. The exhibition will move to New York in January.

GENEVA
"Mithras", Mozart's rarely staged opera seria, is currently the choice of Switzerland's two leading opera houses. Less than three weeks after Zurich unveiled a production conducted by Franz Bruggen, the Grand Theatre in Geneva is mounting a different staging with Donald Kesch in the title role and Dagmar Peckova as Farnace. The first night is on Thursday at the Forces Majeures.

A maverick with an Eskimo touch

Filmmaker Henry Jaglom can be bad, but when he is good he is wonderful, writes Nigel Andrews

Why does filmmaker Henry Jaglom keep his hat on in his Sunset Boulevard office? It's a pale, floppy, pork-pie number and it shades his capricious middle-European features as if designed to keep a lid on eccentricity. Perhaps he is afraid that if he took it off people would see the escaping thoughts of a 55-year-old movie maverick with one of the quirkier minds in independent cinema.

Jaglom made *Sitting Ducks*, *Can She Bake a Cherry Pie?*, *Someone to Love* (that inspired all-star symposium with Orson Welles, Sally Kellerman and others raving about the meaning of life) and the new *Last Summer in the Hamptons*, which opens in London in two weeks.

He is so appalled by Britain's failure to show the two films he made before *Hamptons* - *Eating and Venise Venise* - that he gives me video copies of each. When I run them later in England, they are unwatchable. This says everything about Jaglom's career. When he is bad, he is bad. When he is not, he is wonderful.

Last Summer in the Hamptons is in the second category. A group of endearingly batty theatre-folk gather in a Long Island mansion where they quarrel, fall in love and exchange psychobabble. Jaglom doesn't need to be told the film is Chekhovian: the group is actually rehearsing an open-air production of *The Seagull*.

"It's a tribute to the madness of actors, plus a clear look at their narcissism, manipulativeness, petulance, childishness," Jaglom should know, he is married to an actress, Victoria Foy, whose bizarre animal-inhumanising exercises are a comic highlight of the film.

"She showed me her baby seal, her eagle and so on at home, and then got mad at me for using them in the film. She decided I was ruining her career. But the audiences loved them."

They loved most of this affectionate fresco of American life on the artistic fringes. Jaglom has been making his seat movies about life and Bohemia for a quarter of a century. His characters

are human spindrift, thrown about by a world they try to rationalise even while beset by unreason: by desire and need, by creativity. The films have been compared to Woody Allen, though often, Jaglom acknowledges, to his own disadvantage.

"New York critics attack me for seeming to engage in psychobabble rather than making fun of it. But I'm compassionate about these people whose needs are so strange and big that they engage in these weird systems of thought. I don't want to wink and say, 'Look how silly they are'. I'm trying to be subtle."

The best Jaglom works combine good talk with good plot. Movies like *Sitting Ducks* (bank robbery with self-analysis) and *Absoos* (acidly sketching a dissolving marriage) brilliantly vindicate his style of improvised, collaborative human comedy.

"Actors are more than just faces, bodies and voices. They're minds and memories. My method came out of dissatisfaction with a scene in an early film (*A Safe Place*) involving Jack Nicholson and Tuesday Weld. On the sixth take I said, the script's not working, say your own words. It worked, and after that I threw away the scripts."

It's hardly surprising that Jaglom studied under Lee Strasberg, as an actor, or that his first bout of career rivalry was with another famous Method alumnus. "I auditioned for *The Graduate*. They called me back again and again; everyone said how brilliant my readings were. Then I heard that this kid I knew in New York had got the part, Dustin Hoffman."

Jaglom promptly decided to direct his own film. That way he could cast himself, or his brother (the funny, querulous Michael Emill), or his friends, like Welles, Nicholson, Dennis Hopper and Karen Black, the last three recruited after Jaglom did a stint as editor and adviser on *Easy Rider*.

His greatest talent as a filmmaker - and as a film enabler in the tight-money world of independent cinema - is no doubt the one handed down through his Russian-Jewish ancestry. Chutz-

pah. "My father ran the economy of Dausig. When Hitler tried to make him an honorary Aryan he knew it was time to leave. I was born in London, and soon we came to New York, where I saw movies and would have to explain American culture to my parents - what a 'gun moll' was!"

Forty years later, Jaglom is re-infusing Russian culture into his parents, or at least their home. The neo-Chekhovian house in *Last Summer in the Hamptons* is there, though for the film Jaglom peopled it with his own fantasy screen family. This included one great, eccentric actress-teacher, the late Viveca Lindfors, and one vatic stage director, Andre Gregory (title hero of *My Dinner With Andre*). "The part is a send-up of Andre," Jaglom says, "of this ecstatic artist who takes four years to put on a play that 12 people then go to see."

Jaglom would also have cast, if he could, his close friend Orson Welles. Welles and Jaglom became one of the great offscreen double acts in Hollywood: the younger filmmaker spent years trying to push the older, legendary one back into work.

"I spent so much energy trying to make him happy. I lied to him: I haven't said that before to anyone, but I did. I'd tell him that So-and-So was really interested in receiving a script from him when they weren't, hoping it would force him to do the work that would get the interest."

"He was a wonderfully vulnerable, complex, rich, sweet person. We'd have lunch twice a week and he'd be very depressed, but in public he'd do what he called his dancing bear act. Somebody would come over to the table and he'd say 'Hello!' - deep Orson voice - and I'd kick him under the table. He'd later say, 'Why did you kick me?' I said, 'You're painting yourself into a corner again. These people all think you're some intimidating ogre and you're this little weak pussy-cat. You're creating this mythology that's trapping you.'"

"Nobody knows this, but he carried bad reviews of *Citizen Kane* around with him all his life. Maybe there were three: Jorge Luis Borges wrote one. He memorised them. Why? Perhaps to confirm to himself some sense that he was not what everyone thought he was."

Henry Jaglom: 'It's a tribute to the madness of actors'

Welles left a message at 3 o'clock one morning on his friend's phone, asking him to call with news of Jaglom's mother who was ill with cancer. Jaglom rang back a little later, but Welles had died.

He left some of his finest late testaments in Jaglom's films, as the magician in *A Safe Place* or the philosopher-celebrity in *Someone to Love*. Welles liked Jaglom, but marvelled at a little incomprehensibly at his movies.

"He told me, 'Henry, you're like an Eskimo. I saw this film about an old Eskimo carving a

giant walrus tusk. And the documentary filmmaker goes up and says, 'What are you making?' And the perplexed Eskimo says, 'I don't know, I'm trying to find out what's inside.'"

"You're like that," Orson said to me. "You're carving away at men, women, America, our whole culture - trying to find out what's inside."

Theatre

Too many notes

Michael Cashman makes his first appearance in the title role of Anthony Clark's Birmingham production of *Julius Caesar* standing on a plinth, impersonating a statue to himself, as Roman plebeians wrangle with the tribunes, he slips off unobtrusively. Not terribly imperious conduct; but this is a dictator who - until one reads the programme notes about the soothsayer's method of divination by interpreting patterns of light bouncing off a shiny object - appears literally frightened of his own reflection. Elsewhere, Cashman plays Caesar as larger than life; he uses the full range of his voice in terms of pitch, volume and timbre... but often in the same sentence, with the result that at times he seems almost to be singing his lines.

Director Clark seems determined to leave no theme in the play unalluded to. Patrick Connellan's design centres upon "an anatomical lecture theatre, a parliament, a debating chamber... a place to examine the 'body politic'." Julius's near-divinity and imminent kingship are encapsulated in a rousing chorus of that well-loved hymn, "All Hail The Power of Caesar's [sic] Name", ending "Crown him Lord of all".

The conspirators are particularly young, which makes a nonsense of a number of lines including the comment about her "once-commended beauty" by Brutus' wife Portia (Bonnie Engstrom, plainly still in full flower), but does create the sense of a junior officers' coup. A curious stroke of casting has led to Cassius being played by James Dreyfus, hitherto best known for his West End lead in *Eurovision* and his television role as PC Goody in *The Thin Blue Line*, neither part fraught with macho menace. But I was surprised by the control of his performance, although he remains a little over-keen to lurk conspiratorially or quiver that bit too much in high passion.

The first world war-era military uniforms bolster the trenchant impression that, like that conflagration, the civil war arose in large part because a number of key players regarded it as inevitable. Overall, Clark wants it all: his intelligent production does not aim to answer questions, but often it does not clearly raise them, simply tipping its hat in their direction. As the Emperor of Austria rebukes Mozart in *Amadeus*: "Too many notes."

Ian Shuttleworth

Birmingham Repertory Theatre until November 22 (0121 236 4455).

INTERNATIONAL ARTS GUIDE

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-651 8911
● Lander-Graham-Merk: National Ballet programme of four 20th-century works - *Ebudes*, *Lamentation*, *Embarassed Garden* and *Groesland*; Nov 3
● Nederlands Dans Theater I: programme comprising Bella Figura, by Kiylián, and new works by Naharin and Obazancic; Nov 4, 6, 7

BRUSSELS

OPERA
La Monnaie Tel: 32-2-229 1211
● La Stalidura Vendicant: by Francesco Provenzale. New production directed by Philippe Sirelli and conducted by Alessandro de Marchi; Nov 4, 5
● Werther: by Massenet. Concert performance conducted by Wladimir Jurawski, with a cast

Including Alison Hagley and Jennifer Lamore; Nov 4

BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Seiji Ozawa in works by Dutilleul and Berlioz with tenor Frank Loperado, the Ernst-Serff Choir and the Berlin Boys' Choir; Nov 6, 7, 8

CHICAGO

EXHIBITIONS
Art Institute of Chicago
Tel: 1-312-443 3600
Renoir's Portraits: Impressions of an Age. Around 65 paintings, spanning the artist's career, of subjects including Claude Monet and Madame Renoir. The show has been seen in Ottawa and will travel to Texas; to Jan 4

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● London Symphony Orchestra: conducted by Michael Tilson Thomas in Mahler's Symphony No. 7; Nov 6
● The Royal Opera: The Pilgrim's Progress, by Vaughan Williams. Concert performance, conducted by Richard Hickox; Nov 3
Royal Festival Hall
Tel: 44-171-6288800

London Philharmonic Orchestra: conducted by Ivan Fischer in works by Mozart and Bruckner. With clarinet soloist Sabine Meyer; Nov 5

EXHIBITIONS

National Gallery
Tel: 44-171-839 3321
Making & Meaning: Holbein's Ambassadors. This recently cleaned double portrait by Hans Holbein the Younger pictures two French ambassadors to the court of Henry VIII in 1533. Presented alongside are drawings and miniatures, and objects relevant to the painting's political and religious background; from Nov 5 to Feb 1

National Portrait Gallery
Tel: 44-171-306 0055
Sir Henry Raeburn (1756-1823): previously seen in Edinburgh, this exhibition of some 60 paintings includes the major portraits belonging to the National Gallery of Scotland as well as loans from abroad; to Feb 1

OPERA

London Coliseum
Tel: 44-171-632 8300
● From the House of the Dead: by Janáček. New English National Opera production, conducted by Paul Daniel (Brad Cohen from Nov 11) in a staging by Tim Albery. The programme is completed by *Twice through the Heart*, by Mark-Anthony Turnage, conducted by Nicholas Kok; Nov 4, 7
● Tosca: by Puccini. English National Opera production, conducted by Noel Davies in a

staging by Keith Warner. Rossini's *Pilgrimage* sings the title role; Nov 5

Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: The Merry Widow, by Franz Lehár. In a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Nov 4, 5, 6, 7, 8

THEATRE

Barbican Theatre
Tel: 44-171-638 8891
Henry V: by Shakespeare. Ron Daniels directs this Royal Shakespeare Company production, with Michael Sheen in the title role; 4-22 Nov, after which it will tour the UK

The Pit, Barbican Centre
Tel: 44-171-638 8891
Romeo and Juliet: by Shakespeare. New production directed by Michael Attenborough and designed by Robert Jones. Ray Fearon and Zoe Waites are the lovers; to Nov 15

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
● Los Angeles Philharmonic: conducted by Roger Norrington in works by Brahms; Nov 5
● Los Angeles Philharmonic: conducted by Roger Norrington in works by Berlioz, Chopin and Smetana. With piano soloist Emanuel Ax; Nov 6, 8

EXHIBITIONS
Museum of Contemporary Art
Tel: 1-213-6266222
Cindy Sherman: retrospective tracing the New York-based artist's development from the 1970s to the present; to Feb 1, after which the exhibition will travel to Chicago, Prague, London, Bordeaux, Sydney and Toronto

NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
New York Philharmonic: conducted by Charles Dutoit in a programme of works by Mozart, Barber and Tchaikovsky. With soprano Barbara Hendricks; Avery Fisher Hall; Nov 5, 6, 7, 8

DANCE
Joyce Theater
Tel: 1-212-242 0800
Siobhan Davies Dance Company: double-bill of Bank, Davies' most recent work, choreographed to Matteo Fargion's percussive score, and the award winning *The Art of Touch*. This week-long season is the conclusion of an autumn tour, and part of a festival of British contemporary dance; from Nov 4 to Nov 9

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 8000
● Don Giovanni: by Mozart. Production by Franco Zeffirelli, given its first performance of the season on 5th, when Amanda

Roocroft makes her Met Opera debut; Nov 5, 8
● Il Barbiere di Siviglia: by Rossini. Revival of a staging by John Cox; Nov 6
● La Cenerentola: by Rossini. Met Opera premiere. New production conducted by James Levine in a staging by Cesare Lievi, with designs by Maurizio Ballo; Nov 3, 7
● Tannhäuser: by Wagner, in a staging by Otto Schenk; Nov 4, 8

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Semyon Bychkov in works by Schnittke, Mendelssohn and Strauss. With violin soloist Viktoria Mullova; Nov 5, 6

DANCE
Opéra National de Paris, Palais Garnier Tel: 33-1-43439696
Paris Opera Ballet: mixed programme - *Soir de fête* by Staats, *L'Arlesienne* by Petit, and *La Symphonie fantastique* by Massine; Nov 6, 7, 8

EXHIBITIONS
Musée Carnavalet
Tel: 33-1-4272 2112
Paris and the Parisians in the time of Louis IV: more than 300 engravings, which together create a vivid impression of 17th century Paris. Including portraits, images of the city and its monuments, as well as proverbs, allegorical works, and almanacs;

from Nov 5 to Jan 18

OPERA

Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
Nabucco: by Verdi. Conducted by Pinchas Steinberg in a staging by Robert Carsen; Nov 4, 7

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 KHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

Monday to Friday, Central European Time:

● NBC Europe

07.00: *FT Business Morning*
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.

17.30: *Financial Times Business Tonight*

● CNBC

08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

COMMENT & ANALYSIS

Needing tough treatment

The sheer scale of the IMF package agreed last week with Indonesia, and the decision by the US administration to get directly involved with it, are indications of how seriously the leadership of the industrialised world takes the economic, financial and political risks of the continuing turmoil in south-east Asia.

When the first news of the IMF deal for Indonesia began to leak out a while ago, the scale of the support was put at \$4bn (£2.5bn). By the time the overall package was announced on Friday, that had risen to \$7bn, and will be second only to the Mexican bailout of 1995 in overall scale.

What is more, the US involvement represents a marked change from its recent approach. In the summer, the administration did not take part in a similar IMF programme of support for Thailand, where the current crisis began. There seems little doubt that in the three months that have elapsed since the Thai negotiations, the stakes from the escalating crisis in the region have risen. For Indonesia, therefore, the US agreed to contribute \$3bn of supplementary financing - money to be drawn only if the main IMF package fails to restore stability.

What explains this heightened concern in Washington?

Officials are clearly much more troubled than they have been at any point since the regional crisis began earlier this year about the risk of "contagion". Although the immediate economic impact from the turmoil is still not generally expected to be large, there are increasing worries about the financial turbulence and about the potential risk for US security policy in the region.

And the Indonesian case is a clear example of the kinds of fears that are on the minds of US and other international policymakers.

If the combined burdens of an economic slowdown, falling asset prices and a devalued currency (which raises the cost of debt servicing by corporations), force Indonesian companies into severe

Gerard Baker and Sander Thoenes on the escalating crisis in Indonesia



President Suharto: appeared powerless

financial difficulties, there would be some big losers.

Japan is by far the largest investor, with \$38.7bn committed over the past 30 years by Indonesian estimates, and many Japanese banks are more heavily exposed to Indonesia than to any other country outside Japan. Both Singapore and Malaysia hold much of the capital funnelled abroad by Indonesian conglomerates, and some of their companies have moved shop to Indonesia to set up palm oil plantations and buy companies which became relatively cheap after the rupiah's depreciation of the last few months.

But while the risk of financial chaos is the main spur for action, there is also concern about political stability in the region, and little doubt that the two are connected. South-east Asia continues to play a large role in US global security interests. On Friday, Robert Rubin, the US Treasury secretary, said: "Financial stability around the world is critical to the national security and economic interests of the US".

Again, the Indonesian

package is a critical case in point. There is a growing recognition that President Suharto's hold on his own people is not what it used to be and he could use a little help from his friends abroad. The army appears loyal, the parliament has been purged of critics and the dominant business conglomerates still feel their best bet for economic stability is the current regime. But many ordinary Indonesians are restless.

The depreciation of the rupiah has caused a sharp rise in prices for staple foods such as rice. High interest rates prevent many from buying low-cost housing and even motorcycles. Their savings may be frozen in illiquid banks. Thousands have lost their jobs in a country where unofficial estimates of under-employment go up to 40 per cent of the workforce.

To make matters worse, Mr Suharto has appeared powerless against massive fires that have lit peat bogs, forests and coal deposits, sending a thick haze over much of south-east Asia. Students have clashed with

police in various cities in recent weeks, workers have gone on strike and now the government faces the prospect of a rush on the banks. While few western leaders like to be seen in public with Mr Suharto, they also know that the alternative may be chaos. The first riots that brought down Sukarno, his predecessor, started with the devaluation of the rupiah.

One final key to understanding the importance of the Indonesian IMF agreement is that it may represent a blueprint for the kind of measures US and IMF officials believe are necessary to restore financial stability in the region. Although details are still sketchy, the IMF deal may indicate that the Jakarta government is committed, and politically strong enough, to enforce some painful measures.

The rupiah has lost a third of its value since August and the Jakarta Stock Exchange index has dropped 40 per cent. Dozens of leading conglomerates are believed to have turned illiquid by a combination of sharply higher domestic interest rates and the appreciation of their interest payments for hard currency loans.

But Mr Suharto did not hesitate to mop up liquidity by raising interest rates and transferring state pension fund deposits from commercial banks to the central bank in August. He slashed \$13bn worth of infrastructure projects, even though this meant that thousands of construction workers are now laid off.

Mr Suharto also appears willing to sacrifice parts of the immense network of patronage that he has built up to maintain power. Some of the banks shut down over the weekend are owned by powerful friends of his, and spending cuts have affected projects controlled by his family and friends.

The IMF plan may, of course, itself weaken further Mr Suharto's political position. But if the US administration and the IMF are to avert their worst fears of financial and political instability in Asia, they know that more governments must be prepared to take some painful medicine.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171 873 5838 (please not fax to "line"). e-mail: letters.editor@ft.com Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

Too early to conclude China rules out euro

From Mr Zheng Wufu.

Sir, I refer to James Harding's article "China rejects moving forex reserves to euro" (October 13). Whether, when and to what extent China will hold euro as its foreign exchange reserves depends not only on economic considerations, but also on quite a lot of other factors which affect the reserves' safety, liquidity, yield and so on; not to mention the fact that the assumption that the euro may not be so stable as based only on economic factors, neglecting some other

equally important factors such as political willing among European Union countries and strong supportive forces from international societies.

I personally look upon the forging of single currency as a historically significant experiment. It will be firmly supported by international societies and play an important part in the international financial market. Therefore, it is too early to conclude that China rejects moving forex reserves to the euro.

As Richard Portes argued ("The strength in numbers",

August 11) both the unprecedented independence of the European Central Bank, guaranteed by the Maastricht treaty, and the higher gross domestic product and share of world trade will provide a promising foundation to prevent the euro from being as soft as some other experts have predicted.

The governor of the People's Bank of China, China's central bank, has signalled that he is giving consideration to actively holding the euro, while officials from the State Administration of Foreign Exchange

have made clear that China's holding of the euro would increase in line with the European single market. In my view, these signals imply strongly that the authority will be most likely to adjust the amount and composition of its holdings of foreign reserves accordingly.

This is not to say that China will hold euros immediately after January 1 1999.

Zheng Wufu, economist, international department, People's Bank of China, Beijing 100800, China

Saudi policy short-sighted

From Mr K. Shilleto.

Sir, It cannot be any surprise that Saudi Arabia neither encourages foreign investment interest in its natural gas nor intends to market abroad itself. Every barrel equivalent of gas backs out a similar amount of crude where markets are established already. Any reduction in its 8m barrels a day crude production also reduces Saudi authority within the Organisation of Petroleum Exporting Countries, which is less influential in gas than oil.

This may be a short-sighted policy. Power generation worldwide is shifting rapidly from coal and oil to gas as a safe environmental halfway house to renewables. Global warming and climate change are realities that even the Saudis must accept and to which they must adapt.

Iran, Abu Dhabi and Qatar, on Saudi's doorstep, are ready to scoop the gas export pool. Saudi gas for export sale must be only a matter of time.

Kevin Shilleto, oil consultant, 2 Mulberry Close, Beaufort Street, London SW3 5AB, UK

US employment miracle no surprise

From Mr R. McDowell.

Sir, The US "employment miracle" is a mystery only to supply side economists.

Gerard Baker ("Euro-sclerosis in focus", October 27) reported the latest findings of US economists that Europe's problem is not labour market rigidities, but weak demand or, possibly, regulatory rigidities in production and capital markets.

But, looking at the economic data, job creation differences in the past five years between the US and Europe are best explained by consumer spending, not gross domestic product,

industrial production, size of government, wage growth or terms of trade. No other factor explains falling unemployment or jobs growth so well.

This is not a surprise. Government and large industrial companies continue to reduce their workforces. New jobs are mainly in retail distribution, services and the small firms sector. Consumer spending in the 1990s has been growing twice as fast in the US and UK as in the European Union. The UK, which follows the US economic cycle much more closely than that of the EU,

reduced its unemployment rate faster than the US, but with less employment growth. The UK economy might have created more jobs but for low growth among its EU partners. The US and UK are at the peak of their business cycles. The EU is only now coming out of below trend growth, thanks not least to a growing US trade deficit, now over \$200bn.

Robert McDowell, Banking & Securities Industry Consultants, 2A, Gresham Road, Cambridge CB1 2EP, UK

Greenspan's warnings still on the table

From V. Ananthanaganeswaran.

Sir, I share some of the sentiments expressed in your leader on Alan Greenspan's testimony to the Congress ("Playing it safe", October 30). His "productivity pendulum" had swung around quite a bit in recent months, leaving us wondering as to when he would wield the interest rate axe if the US economy was indeed growing at an unsustainable rate for the whole of 1997.

However, he did not really let his guard down last Thursday. Carefully read, he left most of his warnings of October 8 on the table.

While acknowledging the short-run restraining influence of the recent asset-market volatility, he did mention that the acceleration in productivity, by itself, would not close the gap between excess long-term demand for labour and its supply.

His punch-line came in the end. He almost ruled out any threat to US economic pros-

perity from the Asian financial disturbances. Therefore, by implication, he did not think that it would have any impact on the conduct of the Federal Reserve Board's monetary policy.

Consequently, the possibility of a Fed rate hike still exists, but perhaps its immediate exercise is less likely than before.

V. Ananthanaganeswaran, Hegarstrasse 4, 8032 Zurich, Switzerland

The CAP is being reformed cautiously, says Michael Smith

The great survivor

Pampered. Uncompetitive. Stubbornly, sometimes violently, opposed to change. That view of European Union farmers is almost universal, outside agricultural communities at least.

Franz Fischler, EU farm commissioner, wants to turn Europe's farmers into entrepreneurs. This summer Mr Fischler unveiled a wide-ranging reform of the Common Agricultural Policy, which provides farmers with Ecu40bn (£28.6bn) of subsidies a year and pays them not to grow crops. "The enormous complexity of the present support mechanisms has left farmers scouring the pages of the official journal of the European Communities instead of responding to market signals," he says.

Mr Fischler and his fellow commissioners see cuts of up to 30 per cent in "support prices" - paid to farmers regardless of market conditions - as essential if the EU is to realise its ambition of enlargement into central and eastern Europe. But some critics are increasingly worried that the commission has been cowed by the farming lobby into being too timid.

The problem is that the countries queuing to join the EU have vast, but financially poor, agricultural sectors; in Poland, the largest of the aspiring entrants, nearly 30 per cent of the labour force is in farming, compared with 5 per cent in the EU. Extending eastwards the existing benefits of the CAP is ruled out on financial grounds, but the mismatch would cause deep resentment and erect big obstacles to forming a single market.

Even with an EU of 15 countries, an unreformed CAP would balloon out of budgetary control - and bring back controversial food mountains - as productivity and production increased. Already the CAP accounts for nearly half the EU budget. The start of farm talks under the World Trade Organisation in 1999 is also concentrating minds.

Unless the EU cuts the support prices for agricultural goods it is extremely unlikely to be allowed by other countries to expand exports. But will the commission's price cuts and



accompanying measures be enough to meet the double dilemma posed by enlargement and the forthcoming trade talks?

The proposals have a role model in the ground-breaking CAP reforms harried through the commission and member states in 1992 by Ray MacSharry, then farm commissioner. The centre-piece was a move away from near-total reliance on price support towards direct income aids which cause less offence at the WTO.

The reforms have achieved a fair degree of success. They have helped cut food mountains to manageable levels and restrained expansion of the CAP budget, which has grown in the last five years but less than would have been the case without reform. Farmers have benefited too, with per capita income up 4.5 per cent a year, according to the commission.

But MacSharry was just a start. The Fischler package would cut support prices of beef, cereals and milk by 30, 20 and 10 per cent respectively and increase income aids further. Farmers would receive more direct income aids in compensation.

The commission also plans to cap payments to individual farmers, 90 per cent of whom receive 90 per cent of subsidies. Countries would be given more authority to decide who receives aid, and the practice of setting aside land for payment would be reduced. A revamped rural policy could provide additional assistance for recreational and environmental schemes in some areas.

The commission dismisses claims by farmers they could lose Ecu8.5bn a year. It expects farm incomes to remain steady and forecasts a CAP budget for the 15 of Ecu48bn in 2006 (1997 prices).

Critics say the commission has missed crucial opportunities. First, it has put no time limit on the direct payments which compensate price cuts. "There is clearly no justification for continuing to compensate fully for previous price cuts for ever," says Michael Tracy, a Brussels-based agricultural economist.

Second, the commission extended the milk quota system until 2006 and rejected drastic price cuts. Stefan Tangermann, an agricultural economist at the University of Göttingen in Germany, welcomes the broad thrust of the commission's overall proposals but says the 10 per cent milk price reduction will do "close to nothing to solve the underlying problems of this sector".

The commission's cautious approach to reform is understandable. The CAP has exercised a deep hold on the European psyche since it was a founding pillar of the European Economic Union in 1958.

The exalted status of agricultural workers was enshrined in the 1957 Treaty of Rome which decreed the CAP should offer them "a fair standard of living". The farm lobby never lets the politicians forget this and it is extraordinarily effective at getting its message across. "You can usually tell what agriculture ministers are going to say in EU meetings

because invariably it is little different to what farm leaders have been saying the week before," says one commission official. "Farmers are well organised and have great unity of purpose and, because they dominate the sparse rural vote, they can decide the government in most EU countries."

Witness Germany. With elections due next autumn both at the federal level and in Bavaria, a farming heartland, ministers are anxious to court rural voters. Jochen Borchert, now agriculture minister but once a leader of the country's farmers' organisation, has said the commission's CAP proposals are unnecessary and Chancellor Helmut Kohl has not challenged that view.

Elsewhere, the farm lobby either has less ability or will to fight reform. Policy makers are giving more heed than previously to environmental and consumer lobbyists, a trend exacerbated by the BSE "mad cow" scares. The governments of the UK and Sweden say the commission should be tougher; both want the milk quota dismantled and the UK wants a cut over time in payments compensating price cuts. Among other countries few, if any, are as opposed to reform as Germany. In the commission there is growing confidence that a reform package will be agreed, perhaps by the end of next year. The test for Mr Fischler will be his ability to resist dilution.

If he does agricultural economists say unfettered export of beef and some cereals may become a reality and Mr Fischler's dream of entrepreneur farmers will be nearer achievement. In addition, commission officials say the milk proposals may yet be toughened, either by bigger price cuts or a commitment to ending quotas.

However, reducing compensatory payments - seen by many as sounding the death knell for the CAP - is not a runner. "Member states would simply not accept it," says one official. "That means future headaches for integrating new member states. But for the foreseeable future the CAP remains the EU's great survivor."

"I know it's late, but I'd like some sushi. How far do I have to go?"



You needn't ever leave the comfort of your Four Seasons Hotel room to be transported by a talented chef. Room service menus abound with regional selections: from deep-dish pizza to striped bass prepared without unwanted calories, to homemade chicken soup at midnight. For the same breadth of choice in another unequalled setting, visit our restaurants downstairs. The demands of business demand nothing less. Phone your travel counsellor or, in the U.K., 0800-526-648. Visit our Web site: www.fourseasons.com

FOUR SEASONS
Hotels and Resorts

Defining the art of service at 40 hotels in 19 countries.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday November 3 1997

Bailing out Indonesia

The \$37bn financial rescue package put together by the International Monetary Fund and the World Bank for Indonesia is impressive in its generosity. It is the largest international bail-out organised since Mexico's \$50bn in 1995, and it has been put together in barely three weeks. Seven governments, including the US, Japan, Singapore and China, are chipping in with their own bilateral deals. President Suharto seems to have many friends. But is their medicine right for his country?

Full details of the conditions attached to the loans have not yet been spelled out. The problem is partly a matter of presentation. The outside world needs to know that for such a generous package, tough and measurable conditions have been laid down. They must focus on two key areas of weakness: the overstretched and under-regulated financial sector; and the lack of transparency in government contracts associated with the business activities of the friends and family of the president. But that is precisely what the government will not want to make apparent to its domestic audience, particularly in the run-up to a presidential election.

The decision to scrap trading

monopolies for important foodstuffs like soya beans and wheat, a long-standing source of political patronage, is welcome. So is the agreement to phase out the tax holidays for the controversial "national car" promoted by Mr Suharto's son, Tommy. That is likely to mean the end of the project, from which Tommy Suharto has obligingly retired just in time to save face.

Other necessary reforms seem to have proved too politically sensitive. The government monopoly on rice imports and distribution is to be maintained, as are hefty subsidies of fuel prices. In the weeks before next March's election, such action might have been political dynamite. Drought, devaluation, forest fires and a series of natural disasters have already created a fertile atmosphere.

The IMF argues that, unlike other countries in the region such as Thailand, Indonesia has the political discipline necessary to carry out tough reforms, within reason. The other explanation for the size of the package is that it will be big enough to prevent any conceivable further runs on the currency. The first assertion, at least, is questionable.

Indonesia has been consistently praised for its sensible macro-economic and monetary policies. But the weaknesses have been at the micro-economic level: in the explosion of ill-regulated banks, and the concentration of business and political power in the hands of a tiny elite, unaccountable to any but the 76-year-old president.

Institutions like the IMF, the World Bank and the Asian Development Bank, not to mention friendly governments, have failed to spell out the dangers of such weaknesses in good time. The markets have identified the political problem. Others should have served notice sooner.

Unpegging

Last week, the Brazilian real narrowly avoided becoming the latest emerging-market currency to fall victim to speculative attack. The week before, it was the Hong Kong dollar. This week's target is anybody's guess. Perhaps it all could have been avoided if Thailand had quietly devalued as soon as its economic difficulties became apparent. Changing a fixed exchange rate without precipitating a crisis is a difficult task. But sometimes it must be tried.

There are often sound economic reasons for a country to adjust within a fixed currency regime, or to quit it altogether. A fixed nominal rate can lead to serious misalignments in the real exchange rate. Flexibility in the domestic economy will allow some adjustment. Sometimes, though, the pressure is so great that only a change in the exchange rate can bring the economy back on track.

But however sound the reasons, choosing to devalue or to leave a fixed-rate regime will always carry risks. Maintaining a fixed rate is often a credibility symbol for policy-makers, and changes can cause panic.

Action therefore needs to be carefully planned. Three principles could help. These will not guarantee a smooth transition,

but they should increase the chances of success.

First, authorities must be as clear as possible about what they are doing, and why. Endorsement by a multilateral organisation, such as the IMF, could help to ensure that their reasoning is seen as credible.

Second, the effects on the regional economy should be considered. With the greater openness of the world economy has come a strengthening of linkages within regions. One country's policy cannot be considered in isolation. If possible, therefore, currency realignments should be agreed within a regional context.

The third, and most important, principle is that the timing must be right. The worst time to leave an exchange rate peg is when it is under attack. The best time is when the economy is strong, and when the authorities' credibility is high. Policy-makers should be looking to make any changes pre-emptively, just as they should do with monetary policy.

Changing a fixed exchange rate is a risky business. But failing to change a rate which is clearly misaligned can only lead to trouble. Early action, if well considered, can save an awful lot of pain later.

Tory turmoil

Britain's Conservative party lost the general election because it chose to speak to itself rather than to the nation. Obsessed by Europe, the Tories turned their back on the everyday preoccupations of the electorate. Now they seem set on repeating the same mistake in opposition.

The weekend resignation of David Curry, the shadow agriculture spokesman, was the latest in a series of blows for William Hague, the party leader. It follows the departure of Ian Taylor, a Northern Ireland spokesman, and the denunciation of the leader's European policy by the formidable alliance of Michael Heseltine and Kenneth Clarke.

In this matter, Mr Hague is the author of his own misfortunes. Two weeks ago he chose to harden his opposition to the single European currency. Mr Hague insists he will fight the next election on a platform of "saving" the pound - in effect ruling out British participation for 10 years at least.

Unsurprisingly, pro-European Conservatives are determined to fight a policy which threatens a

damaging breach with business. Mr Clarke wants a cross-party alliance to take Britain into the single currency. Mr Heseltine has put himself at the head of the pro-European forces within the Tory party.

Mr Hague's position is neither principled nor practical. Principled objection to ERM on constitutional grounds would rule out participation forever. A practical approach would leave the position open until the election. Instead Mr Hague has put a bar on entry for an arbitrary period of 10 years. He might contemplate joining in 2007 but would not even consider it in 2006.

Mr Hague says this is the preferred position of the majority in his party. But those with longer political memories than the 36-year-old Tory leader will recall this was precisely the argument used by the left when it seized power in the Labour party during the early 1980s. Only after three defeats did Labour learn that elections are won by parties which reach out beyond their core support. Sadly, Mr Hague seems determined to ignore the lesson.

The mayor who got lucky

Richard Tomkins explains how Rudolph Giuliani has revived New York City with a combination of good fortune and design

For one fleeting moment a few weeks ago, it looked slightly less than certain that Rudolph Giuliani would be re-elected to a second term as mayor of New York City. A Haitian immigrant named Abner Louima, arrested after a fracas at a nightclub, was taken to a Brooklyn police station. There, police officers allegedly subjected him to an almost unbelievably sadistic assault, pushing a toilet plunger up his rectum and then down his throat. As they brutalised him, one shouted: "This is Giuliani time."

The words were to haunt the mayor during the outcry that followed. Four years earlier, Mr Giuliani ran for office on a law-and-order ticket, and his first term had been characterised by tough police tactics. Now, with the city teetering on the edge of a race riot, the media were asking whether those tactics had gone too far.

It is some measure of how much New York has changed in the past four years that, once the alleged attacker had been arrested, the outcry died down. Although complaints against police brutality have risen, New Yorkers across the political and racial spectrum appear to have concluded that the occasional excess, if appropriately dealt with, is a price worth paying for safe streets.

Tomorrow, New Yorkers go to the polls to decide whether to re-elect Mr Giuliani for a second four-year term. But to use a local expression, it's a shoe-in: his Democratic opponent, Ruth Messinger, is a nonentity and, barring a last-minute calamity, New Yorkers will return Mr Giuliani by a big majority.

The vote will be Mr Giuliani's reward for presiding over an extraordinary change in New York's fortunes.

Just a few years ago, the city was in the grip of economic and social malaise. The crime rate was notorious: the streets of the poorer suburbs routinely crisscrossed with gunfire, guidebooks advised tourists to have a \$20 (\$25) bill ready for muggers, and Times Square's boarded-up theatres were patrolled by drug peddlars and prostitutes.

At the end of 1993 Mr Giuliani, who had previously tackled the Mafia and Wall Street insider traders while US attorney for the Southern District of New York, became the city's first Republican mayor in a generation when he narrowly beat the incumbent, David Dinkins.

Before standing for election, Mr Giuliani had spent time studying the "broken window" theory of crime-fighting, which held that controlling public disorder was the key to reducing serious crime. On taking office, he and his then police chief, William Bratton, started putting the theory to the test.

The results were startling. As the police cracked down on minor street offences such as aggressive begging, public drunkenness and illegal street vending, the figures for serious crime began to plummet. Last year, the number of murders fell to 984, the first time the figure had fallen below 1,000 in nearly 30 years.

Over a similar period, New York's financial position also began to improve. When Mr Giuliani came to office, the city was facing its worst financial crisis



since its near-bankruptcy in the mid-1970s. But Mr Giuliani, who had promised local government reform, cut the municipal workforce by 20,000 jobs to 200,000, and the city ended its fiscal year to June with a \$1.4bn budget surplus.

At a personal level, Mr Giuliani has never been held in much affection by New Yorkers. Seen as cold and humourless, he tries to be tough, but often comes across as a bully. A recent article in the New Yorker magazine portrayed him as having been a hoodlum at high school and college, the sort of boy who would be picked on. It quoted a critic's description of his high-handed style as "the revenge of the nerd".

Even so, New Yorkers have been able to forgive him almost anything for their city's remarkable turnaround.

Crime is down to a level where New York is statistically the safe

est large city in the US. Tourism is booming, real estate prices are going through the roof, and Times Square, a high-profile symbol of the city's psyche, is undergoing a renaissance.

But how much of this is due to Mr Giuliani? Crime has certainly plummeted in New York, but it began to fall long before he took office. And inconveniently for the broken window theory, other US cities - Houston, for example - have had similar declines in crime without any conspicuous changes in police tactics.

Law enforcement experts say US crime rates have declined for a number of reasons, including the waning of the crack cocaine epidemic and its accompanying turf wars; a dip in the number of males in the population in the crime-prone age range of 16 to 24; and a big increase in the prison population, which has kept more offenders off the streets.

Professor Franklin Zimring,

director of the Earl Warren Legal Institute at the University of California at Berkeley, says about half the fall in homicides in New York is probably "just plain regression". In other words, homicides are cyclical, and having reached a high, they are simply reverting to the norm.

Police tactics may have contributed to the other half of the decline, Prof Zimring says, but he doubts whether this has much to do with the crackdown on drunks and vagrants.

"One of the things the police have been doing is turning kids on the street upside down to see if guns fall out," he says. "That's not the broken window theory."

Meanwhile, Mr Giuliani has been lucky with the city's finances, too. Although he came to office pledging to cut the city's chronic budget deficits by "reinventing" local government, the Wall Street boom solved the problem by generating a windfall

in tax revenues. This enabled Mr Giuliani to shy away from radical privatisation or other measures that would have brought him into conflict with the powerful municipal unions.

But the city's financial problems have not gone away. In spite of six years of growth in the wider US economy and the prosperity generated by Wall Street's recent strength, New York's economy is still fundamentally weak. The city has won back only half the private sector jobs it lost in the last recession, and the unemployment rate of 9.3 per cent is nearly twice the national average.

Myron Magnet, editor of City Journal, an urban affairs quarterly published by the rightwing Manhattan Institute, has strong praise for Mr Giuliani's achievements to date.

"New Yorkers have a sense that their city has a future, a sense they really did not have before Mr Giuliani came to office," he says. But he believes the mayor's highest priority in a second term should be cutting the cost of government - and with it, the high taxes that have driven businesses and jobs from the city.

"The city government is grotesquely too expensive," Mr Magnet says. "And although Mr Giuliani has made some marginal improvements in that, he hasn't made the dramatic improvements that are necessary if New York is to have an economic future that is anything more than continued managed decline."

Still, dramatic improvements may be hard to achieve. After four years of tumbling crime rates and booming Wall Street revenues, Mr Giuliani has been about as lucky as a New York mayor can hope to be: and the risk is, that in a second term, that luck will start to run out.

If Mr Giuliani recognises this, it could explain his reluctance to set out his goals for the next four years. His ambitions for reducing the tax burden are hardly those of the zealous reformer. At a recent press breakfast, he said: "If we develop surprises, we will take some of that money and give it back to the private sector so that the city becomes a better place to establish a business."

Presumably aware of the danger that the crime figures, if cyclical, could start to rise again, he also avoided promising much in the way of further reductions, preferring to talk of "consolidating" the gains that have been made.

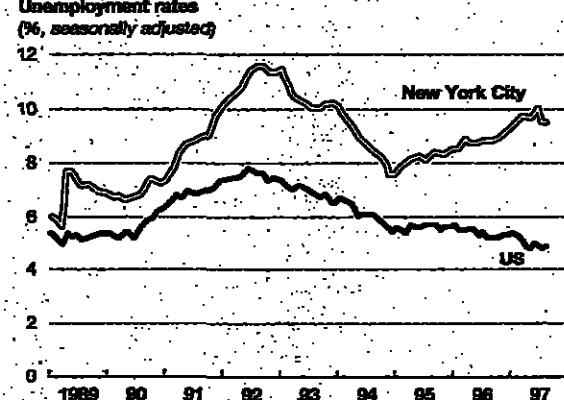
Indeed, almost the only tangible commitment Mr Giuliani has made has been to extend the war against crime to a crackdown on drugs. "Right now, nobody thinks it's possible to cut down on cocaine and marijuana by 50, 60 or 70 per cent. But it is possible, and we are going to do everything we can to accomplish that," he said.

It is hardly a radical agenda. But as Mr Giuliani pointed out: "During the administration of my predecessor, nobody was coming to New York to see how to do things better. They came here to sympathise with us for the way we were doing things wrong."

Perhaps it is enough if the city, having thrown off its image of failure, can cling to its newly earned reputation for success.

The bad news...

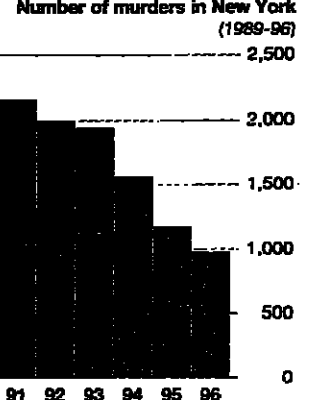
Unemployment rates (% seasonally adjusted)



Source: Bureau of Labor, New York Police Department

...the good news

Number of murders in New York (1989-96)



Sunshine summitry

It's unseasonably chilly down in the Eastern Med, so Greece and Turkey probably won't bury the hatchet today during a pleasant pool-side chat. But Greek prime minister Costas Karamanlis and Mehmet Yilmaz, his Turkish counterpart, will be trying hard to get some warmth back into bi-lateral relations - even if they have to keep their jackets on.

The two men are due to meet on the sidelines of a Balkan leaders' summit being hosted by Simitis at Agia Pelagia, a beach resort in western Crete. A nice spot, sure enough, but will they hit it off?

It is almost 10 years since the last attempt at a Greek-Turkish rapprochement - by Andreas Papandriou and Turgut Ozal, both now deceased. In those days Yilmaz was a callow foreign minister, while Simitis was grappling with the Greek public finances as economy minister. Their charismatic bosses chatted away in private, leaving the underlings no chance to get acquainted.

At least the two men have a language in common: German. Simitis took refuge in Germany from the Greek colonels' junta, while Yilmaz went to university there. And there will be plenty

of encouragement from other Balkan leaders. Guests include Serbian boss Slobodan Milosevic, who knows more than most about simmering rivalries.

Ad to go

What to make of the sudden departure of Susan Giamino, chief executive of J. Walter Thompson's New York advertising agency?

One of the most senior women on Madison Avenue, Giamino joined JWT - part of Martin Sorrell's WPP empire - as general manager two years ago. Her detractors reckon the New York agency's had a poor business record since, the recent loss of the money-spinning Eastman Kodak account certainly didn't help morale.

That said, it's only seven months since Giamino, a psychologist before moving into advertising, was promoted into the top job. And no-one's saying exactly why the tough-minded 47-year-old is leaving JWT so abruptly.

Spin the wheel

Latest head to roll in Amsterdam's Stock Exchange scandal won't be familiar to traders - unless they like to carry on betting after the bourse has closed. Theo van Keulen has

quit his job as chairman of state-owned gaming monopoly Holland Casino after getting caught-up in the affair.

Justice officials allege that Van Keulen had a chunky share trading account with Leemhuis & Van Loon, the stockbroker firm at the centre of their enquiries, and shipped funds to Switzerland. He is accused of tax fraud and falsifying documents. Holland Casinos says the management of a gaming establishment must be above all suspicion - so he had to go.

Van Keulen's fate has not been decided yet, but it's a refreshing attitude. Chief suspect Han Vermeulen, joint managing director at Leemhuis & Van Loon, was sacked back in 1993 by James Capel for irregular accounting. But while the Amsterdam exchange audit committee put him on probation, the stockbrokers' association - which controlled the bourse in those days - was happy for him to stay on its management board.

Vermeulen went on to buy a stake in Leemhuis - and the rest, as they say, is history.

Kwik exit

Mercurial tycoon Albert Gubay is used to ruffling feathers. The man who founded Britain's Kwik Save supermarket chain caused a stir

in the 1970s when he sold out and moved to New Zealand. Until recently he was a big noise on the Isle of Man, the tiny tax haven in the Irish Sea.

But now the flamboyant 70-year-old - ranked 58th richest person in the British Isles in one list - has moved to Ireland in search of excitement. He's planning to build a \$20m Sports Science Institute on the outskirts of Dublin, one of only three worldwide offering medical and professional advice to top athletes. It's no surprise to Gubay-watchers that the plan is causing trouble.

Gubay was about to send in the bulldozers when confronted by last-minute planning objections. He's appealing - but making ominous noises about abandoning the entire scheme unless he gets the all-clear. "If these appeals are upheld that will be the end of it," he huffs. "I won't build the institute anywhere else in Ireland." Knowing Gubay, he probably means it.

Endgame

A group of chess enthusiasts are crowding their hotel lobby chatting about their many recent tournament victories. A frustrated hotel manager eventually asks them to disperse - because he can't stand "chess nuts boasting in an open foyer".

Financial Times

100 years ago

German Strike Insurance
Notwithstanding the existence of repressive legislation in Germany in regard to industrial agitation, the large employers of labour in the Fatherland are finding it necessary to guard against the outbreak of labour disturbances in the same way as they provide against the violation of incendiaries - namely by insurance. A company called "Industria" is now being formed at Berlin, the members of which desire to protect themselves against loss arising out of the strikes of their workmen. The movement may possibly spread to England; but if so, very heavy premiums will be exacted unless the spirit of turbulence should subside in the interval.

50 years ago

Sir Stafford Be Cheerful
Sir Stafford Cripps, Minister for Economic Affairs, in a broadcast last night, called on everybody to be cheerful under present circumstances and declared that a spirit of cheerfulness will see us through our difficulties. He said Britain had cut such dollar goods as films and tobacco, so the only things on which to save dollars now are foodstuffs. "... we have to have less food for a time because we can't afford to buy it."

Italy's MPs to decide on pension reform plan

By James Biffz in Rome

Definitive proposals to reform Italy's pension system will be put to parliament this week, avoiding a budgetary crisis which could have seriously damaged the country's readiness to join the European single currency in 1999.

Romano Prodi, the prime minister, said the final settlement - reached after four months of negotiations - will, if passed, cut L4,100bn (\$2,350bn) from pensions spending next year and end lingering doubts over whether the 1998 budget could be enacted by the end of the year.

Speaking to the Financial Times after sealing the agreement with the trade unions, Mr Prodi said he would have liked to achieve more substantial spending cuts, but that political pressures made this too difficult. "Our goal at the outset was to get radical change, and what we have got

is a good compromise," he added. Reductions in spending over the next six years amounted to "the maximum we could get - what I would call a major correction".

It is the third attempt in five years to scale back the most generous pensions system in Europe. Agreement came after trade unionists adjusted a reform package that had initially been agreed with Italy's neo-Communists.

The prime minister, forced into a temporary resignation over the issue last month, said an amendment to the 1998 budget which spelled out the pensions proposals would be put forward on Wednesday.

He called the final package of measures an historic step that would ease the doubts of fellow European Union leaders about Italy's fitness to join the Euro.

Leading Italian economists said the package, which raises the age at which millions of

Italians can retire, would do nothing to bring about long-term structural reductions in pensions outlays, now about 14 per cent of gross domestic product.

"After a year of political initiatives, debates among experts and great reform projects, what we are left with is a bit of touching up," said Professor Maurizio Ferrara, a social security expert at the University of Padua.

Mr Prodi, however, was pleased that the reforms would end certain privileges in the Italian pensions system.

He described himself as one of the few European leaders to make progress in adjusting his country's pensions liabilities. Other EU states should take this into account when assessing Italy's application to be a founder-member of the euro, he added.

Germany's pension policy faces backlash, Page 3

EU plans may raise prices of electrical products

By Michael Smith in Brussels

European consumers face higher charges for electrical products under proposals for managing waste being considered by the European Commission.

The Commission's environment directorate wants to introduce measures requiring distributors of electrical and electronic goods to take back equipment at the end of its life. The measures would also require producers to re-use or recycle a proportion of the goods returned.

But a working paper prepared by the directorate suggests the costs of the recovery and disposal of products equipment should be paid when the product is put on the market - pushing up prices.

The proposals envisage schemes in each country to ensure users and distributors of equipment can return products that have reached the end of their lives.

Distributors would, if required, have to take back free of charge a similar but out-dated product when supplying a new one.

The paper suggests that at least 80 per cent of the waste cables, large white goods and IT equipment generated each year should be collected - although it gives no date for implementation.

The proportion would be 80 per cent for telecommunications equipment and 50 per cent for toys and brown goods such as radios and televisions.

IT and cable manufacturers would have to re-use or recycle at least 85 per cent of the equipment by weight. For telecoms and large white goods manufacturers the figure would be 80 per cent, brown goods 50 per cent, medical equipment 70 per cent and automatic dispensers 60 per cent.

The paper also suggests that the use of lead, mercury, cadmium and hexavalent chromium in electrical and electronic goods be phased out within an unspecified time.

But industry and consumer groups have significant reservations about the proposals. "The concept is OK, but the details cause problems," said Bill McCartney, a Motorola executive who chairs the environment committee of the Ectel telecommunications lobby.

Rod Hunter, a Brussels lawyer advising the American Electronics Association, said a complete ban on the use of lead, mercury, cadmium and hexavalent chromium was "an astonishing and unrealistic suggestion".

The working paper will be discussed by EU countries' environmental experts next week.

THE LEX COLUMN Act of Faith

To say that Main Street saved Wall Street may be a bit of an exaggeration. But there is no doubt that US retail investors - which still own about two-thirds of the stock market - reacted with remarkable aplomb in the face of last week's turbulence. By Wednesday's close, mutual fund redemptions amounted to only \$1.5bn, a tiny fraction of the nearly \$2,400bn held in equity funds, and far lower than in October 1997.

So far, at least, people's faith in equities does not seem to have been shaken. The correction has been smaller than the crash of a decade ago. The economy is much more robust this time around. And while investors have given up some profits, they are still sitting on a healthy gain; the average general equity fund is up 20 per cent for the year to date.

Encouragingly, most individuals appear to be treating stocks as genuine long-term investments - since they did nothing. Discount broker Charles Schwab, for instance, found that while its trading volumes more than doubled, five times as many customers called for information as bought or sold shares. The spread of timely news, through television and the Internet, and the ability of the stock exchanges to handle unprecedented volumes also helped to contain any panic.

There is a snag, however. Investors' sagging rests largely on the very high equity returns they have experienced over the past few years. Rationally, these cannot continue unless the market falls further.

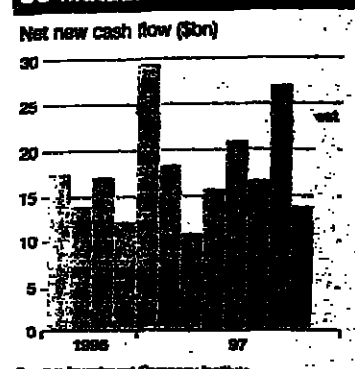
Global warming

With the failure of the UN's climate talks in Bonn, the US has only a month before the Kyoto summit to accept that cutting greenhouse gas emissions will not mean long-term job losses. Right now the final protocol promises to be a sad affair given the power of the oil and coal lobby in the US, which has still failed to meet its obligations under the Rio Treaty.

Taxes on energy consumption may in theory be the most efficient way of reducing emissions. But in practice, because demand is inelastic and energy markets inflexible, public resistance and concern about the international competitiveness of businesses are real constraints.

Companies and households cannot be subjected to penal energy taxes if they are unable to switch to cleaner energy providers. So until energy

US mutual funds



Source: Investment Company Institute

markets are more widely liberalised, improvements in energy efficiency will explain the bulk of future emissions reductions.

Technology-rich US companies such as Honeywell are well placed to exploit a market estimated to be worth some \$1,800bn over the next 40 years. By sparing the client any up-front expense on installing energy-saving equipment, they recoup their investment with a share of the savings. Small energy users may still require incentives to focus on efficiency. But it is clear that US companies and consumers have much to gain in the long term from energy efficiency.

It is therefore a shame that the US government lacks the courage to admit that while some jobs in some industries may be lost, new jobs will more than compensate.

Diageo

Turnover in developing markets and the failure of a new name have driven down Guinness, and Grand Metropolitan shares to levels prevailing (against the market) before the merger was announced. This looks irrational. Take the name: Diageo. If it really was an "empty vessel", as one executive wisely described it, that would cause concern.

But the £21bn (\$35bn) merger still offers the benefits that made the shares jump on its announcement. One is the £2.4bn share buy-back; another is £200m annual savings; a third is the strengthened management. With leadership veering towards GrandMet, this deal should avoid the wasteful parallel culture and cost base problems that afflict some mergers.

A more serious worry is weakening currencies in developing countries. Last year the combined group

derived nearly a quarter of its trading profits from outside Europe and North America. Guinness, which accounted for the bulk of this, has already warned of a £50m dent to profits this year and next. However, these mainly paper losses look small beer compared with pre-tax profit forecasts for the combined group of about £1.9bn for 1997-98, excluding one-off deal costs. A near 10 per cent share price fall against the market over the past couple of weeks seems overdone.

Diageo has just one regulatory hurdle to cross - that of the Federal Trade Commission - before efforts to sell the merger story are really cranked up. Some of the positive reaction elicited back in May should be easily retrieved.

Liberty

It is easy to sympathise with Denis Cassidy, the man called in to drag Liberty into the 20th century. He has done the dirty work at the upmarket department store group: closing poorly performing parts of the empire and replacing weak management. But he cannot ignore the wishes of two big groups of shareholders with 44 per cent of the company between them, who have called an extraordinary meeting to try to oust him.

The Stewart-Liberty family and Brian Myerson, a typical glibly shareholder, have some reason to be impatient. After more than two years of Mr Cassidy's medicine, and nearly £18m restructuring costs last year, there has been no marked improvement in underlying profitability.

Indeed, the company slipped into the red at the interim stage. And, before last week's recovery, the shares had underperformed the retail sector by a third over the past year. It is hardly surprising that investors are balking at his ambitious plans to invest £40m, equivalent to two-thirds of annual sales, in London's Regent Street store.

Liberty was allowed to run down under a family management that evaded accountability to outside shareholders. There is certainly irony in the family now discovering shareholder activism. The rebels have yet to spell out how they will revitalise the Liberty brand or, in other ways, unlock shareholder value.

But unless Mr Cassidy comes up with a convincing plan for improving performance soon, he will deserve to lose the chair.

Indonesia starts IMF-backed reforms by closing 16 banks

By Sander Thoenes in Jakarta

More measures to liberalise and strengthen the Indonesian economy are expected to be announced today after the government closed 16 troubled private banks over the weekend.

The closures were the first step in a reform programme backed by the International Monetary Fund and other lenders in return for more than \$37bn in assistance to defend against currency attacks.

The new measures are expected to include import tariff reductions, export incentives and the opening up of distribution and wholesale markets to foreign companies manufacturing in Indonesia.

On Saturday, Japan and Singapore confirmed their support for the IMF-sponsored package by pledging \$500 each in stand-by loans to help Indonesia defend the rupiah, which has lost one-third of its value in recent months. The

IMF, World Bank and Asian Development Bank have already pledged \$20bn, the US \$3bn and Malaysia \$1bn.

With more expected from Australia, Hong Kong and perhaps China, the Indonesian package is more than double the amount offered to Thailand earlier this year, and second only to the bail-out of Mexico in 1995.

One of the donors' most important requirements was that the undercapitalised and overcrowded banking sector should be reformed. It appeared the government had waited until the weekend before announcing the bank closures to avoid panic among depositors.

Hundreds of people tried in vain to use the automatic teller machines of the affected banks on Saturday when the list of closures became public.

Sudrajat Djawadono, governor of Bank Indonesia, the central bank, urged depositors

to stay calm and vowed to pay back smaller depositors first. He said the government would guarantee payment of up to Rp20m (\$5,600) per deposit, starting on November 13. He estimated that 93.7 per cent of deposits would be covered by this guarantee and that payments could total Rp2,300bn.

However, the list of bank closures - mainly small banks that had long been known to be in trouble - included Bank Harapan Santosa. A popular savings bank, it had reported assets of Rp3,770bn, more than the total cost of the bail-out as estimated by Mr Sudrajad.

Marie Muhammad, finance minister, said the bail-out would be financed through loans to be repaid from the budget. IMF officials had insisted the central bank abstain from bailing out banks to avoid boosting inflation.

Tough treatment, Page 16
Editorial Comment, Page 17

Washington and Iraq

Continued from Page 1

there will be no American inside Iraq taking [part] in inspections," said Taha Yassin Ramadan, the Iraqi vice president. "There is no retreat from our decision until things are put in order."

Baghdad's decision was in response to a UN Security Council resolution last month threatening a ban on travel abroad by Iraqi officials who interfere with the work of UN inspectors.

Roadblocks set up in France

Continued from Page 1

5 per cent rise to FF6,625 (\$1,449.57) a month for 200 hours, and 20 per cent over the next three years.

In return, Jean-Claude Gaysot, the Communist transport minister, promised a tax break of FF800 per driver to the companies.

Leaders of the CFDT union declared this "an excellent" arrangement. But despite desperate efforts last yesterday to postpone protests, militant truckers up and down France would not listen.

"The 1996 agreement left us with our trousers down - now the patrons expect us to drop our underpants," one angry driver told French radio, insisting that grievances dating from last year's conflict remained unaddressed.

The main hauliers refused last night to consider going back to the negotiating table.

Last year the public sympathised with the 230,000 truckers, who were seen to be poorly paid for long hours worked. This time the public's sympathies may be more ambiguous.

FT WEATHER GUIDE

Europe today

Scandinavia will have a very cold day with snow showers in the north and extreme east, but central and southern regions should have plenty of sunshine. Eastern Europe will be cold, with western Russia and the Baltic states having some snow showers. Central Europe, including the alpine states, the Low Countries and Germany, will be largely dry, with early fog and frost clearing to leave some sunny spells. But northern areas of this region may have some drizzle. The central and eastern Mediterranean will be mainly fine, but the Iberian peninsula and western France will have showers.

Five-day forecast

North-eastern Europe will be mainly dry, but it will be very cold with snow flurries. South-east Europe will turn much warmer. The rest of Europe will become very unsettled, with Atlantic fronts and depressions bringing rain and blustery winds to many places by midweek. The Mediterranean will be settled.

TODAY'S TEMPERATURES

Location	Temperature
Abu Dhabi	28
Accra	28
Algiers	27
Amsterdam	10
Atlanta	18
B. Aires	20
Bahia	22
Bangkok	31
Barcelona	19
Bombay	32
Brussels	14
Buenos Aires	20
Calcutta	31
Cardiff	14
Casablanca	11
Chicago	12
Cologne	10
Dakar	27
Dallas	19
Doha	34
Dubai	32
Dublin	9
Durham	10
Edinburgh	10
Fair	30
Frankfurt	12
Gangra	25
Glasgow	10
Hannover	10
Helsinki	1
Hong Kong	24
Honolulu	29
Island	15
Jakarta	34
Jersey	13
Johannesburg	22
Karachi	28
Kuwait	30
L. Angeles	29
Las Palmas	24
Lima	24
Lisbon	13
London	13
Luxembourg	14
Lyons	14
Madrid	24
Manila	24
Maracaibo	24
Mexico City	24
Miami	29
Milan	15
Montreal	34
Moscow	13
Munich	22
Nairobi	28
Naples	21
Nassau	29
Nice	26
Niagara	24
Nicosia	24
Oslo	13
Paris	13
Perth	14
Prague	24
Rangoon	28
Reykjavik	2
Rio	28
Rome	20
S. Francisco	22
Seoul	14
Singapore	32
Stockholm	3
Strasbourg	18
Sydney	22
Taipei	24
Tel Aviv	27
Tokyo	18
Toronto	7
Vancouver	12
Vienna	16
Warsaw	7
Washington	17
Wellington	18
Winnipeg	2
Zurich	8

Lufthansa

No other airline flies to more cities in Eastern Europe.

This announcement appears as a matter of record only

XAAR
XAAR plc

Congratulations on a successful listing on the London Stock Exchange

Nomura International acted as sole sponsor and lead manager

NOMURA

Technology & Healthcare Group
Financing Innovation

Nomura International plc is regulated by the Securities & Futures Authority and is a member of the London Stock Exchange

Bermuda

As tourism declines, turning the colony into a diversified financial centre is becoming crucial, say Richard Waters and Canute James

Paradise island broadens its horizons

Stand in front of the flagpole on Hamilton's Front Street and you find yourself at the heart of what remains of the British empire.

Here, on a rock 600 miles from the nearest land mass, a small Union flag flutters over an island of 60,000 souls – the most populous British colony left, now that Hong Kong has been returned to China.

The political future of this island is far from guaranteed, however. Bermudians have been asked to vote once already on the issue of independence, and the question is never far from view – even though the two political parties seem to have a tacit agreement to keep it out of the headlines during the forthcoming parliamentary elections.

Britain's new Labour government is now carrying out its own review of the country's 12 remaining colonies, known officially these days as "dependent territories." If that results in the mother country backing away from its ties to the island, Bermuda's political leaders suggest, then they would have little compunction about cutting the island loose.

It is a mark of the economic stability and political maturity that Bermuda has been developing that this issue matters less than it would have just a few years ago – though it is hardly something that a thriving international business community would welcome.

Somewhat incongruously for an idyllic island whose economy has traditionally been built around tourism, this is now the world's third largest insurance market, after London and New York.

The rapid growth of its international business sector – more than outweighing a decline in tourism – has left a society whose gross domestic product per person has reached an impressive \$30,000.

Meanwhile, the next elections, which must be called before October 1998, will be fought for the first time by two politicians, both women, from the island's black majority.

This may well end up being the first election that the United Bermuda Party (UBP) – a coalition of white and middle-class black interests – has lost since the 1968 constitution that created

Bermuda's parliament.

But that possibility seems to cause few concerns among members of the wealthy establishment that has held the reins of political power: the opposition FLP, shorn of its more strident tendencies, has become a more centrist party that is no longer seen as the threat that it once was.

However, the island has yet to deal with unresolved economic and social issues which have, if anything, been thrown into sharper relief by these successes.

The economic imbalances stem, in part, from Bermuda's dependence on insurance – a traditionally cyclical business. In the early-1990s, Bermuda shot to prominence as a source of insurance cover for catastrophe risks not available elsewhere.

Together with its history as a base for captive insurance companies – set up mainly by big US corporations to insure their own risks – and its small group of specialist insurers willing to take on large liability risks, this has been the foundation for an increasingly diverse insurance industry.



Not just a beach: somewhat incongruously, the idyllic island whose economy has been built around tourism is now the world's third largest insurance market



Ironically, though, Bermuda no longer boasts of its ability to attract insurance capital. (The reserves of its insurance companies have jumped to \$37bn, four times their level at the start of the decade.)

Excess capital is a curse in an industry with such low barriers to entry: it is often followed by falling profits, a willingness to take on greater risk at lower cost – and, eventually, damaging losses.

Bermuda's challenge will be to prove that the brains of its insurance companies, rather than their financial muscle, are the real source of their strength.

The job of turning the island into a more diversified financial centre, reducing its dependence on insurance, is now under way – with mixed results.

Hedge funds and other investment management businesses have started to

spring up, drawn as much by the lack of income taxes and balmy climate as the financial infrastructure.

Attempts to foster an active securities industry, however, have failed to take root, and Bermuda has so far turned its back on off-shore banking. A record of cautious deregulation and effective financial supervision – give or take the occasional financial scandal that afflicts every centre at some time – should leave it well positioned to continue growing.

Two other economic challenges will be to rebuild a flagging tourism sector, and to attract other industries – preferably in high-value, high-tech areas – to the new development areas that are due to be constructed on land formerly occupied by military bases.

But international finance, tourism and high-tech manufacturing are all now the subject of intense interna-

tional competition, and Bermuda's high cost base puts it at a disadvantage.

While trying to build on its international success, Bermuda has also begun to pay more attention to problems close to home. This is a society of economic and social imbalances which political leaders admit are worrying, and which they say will take time to correct. Young Bermudians are increasingly frustrated as the benefits and opportunities of an affluent society appear to recede from reach.

Also, Bermuda's parents worry about the quality of an education system which is in the midst of a radical overhaul many think is too ambitious, and the growing use of drugs among the young.

Both are issues of real social concern: but the island's wealth, and a generally cohesive, church-going community, leave it better

placed to deal with these problems than many others.

Drugs, meanwhile, have brought more crime. This island may still feel far safer than many of those in the Caribbean – but that is no consolation for locals who, for the first time in their lives, do not feel safe leaving their homes unlocked. Also, with its reliance on the luxury end of the tourism market, Bermuda can ill afford any perception that crime is a growing problem.

Another social challenge has been how Bermuda adjusts to its large expatriate population. About one in five of its workers are foreigners, a reflection both of the job creation that has exceeded the island's long-term population growth, and the new range of skills needed by a burgeoning financial centre.

Locals feel left out of high-paying jobs that they do not have the qualifications for:

foreigners who have been long-term residents feel rebuffed by the moratorium on immigration.

It is a sign of the growing maturity of the colony's leaders that issues such as these, ignored until recently, are now at the top of the political agenda.

True to their geography of isolation (the second most remote inhabited island, some boast) and justifiably proud of what they have done in making a sound economy of such limited resources, Bermudians often speak scathingly of the social, economic and political problems that have overtaken former British colonies in the Caribbean.

Yet comparison with these islands also prompts a sense of trepidation.

The message: we are doing very well, thank you, and we will continue doing so – as long as everyone keeps their head.



There's the Fortune 500. And then there's the fortunate 375.

The 75% of Fortune 500 companies that have wisdom, vision, and operations in Bermuda. And why not?

Bermuda has a global telecommunications network and all

Big Four accounting firms on island, so offshore doesn't mean off

course. It's a place where the political climate is as welcoming

as the atmospheric one. Where the intellectual capital rivals

New York and London, proven by the fact that the people

are so smart they live in Bermuda.

Find out for yourself why we call business in Bermuda

the better balance. Call 1-800-789-2422 in the US or

44-771-839-5545 in the UK for more information on

how your corporation can benefit from Bermuda's interna-

tional business partnerships and accommodating nature.

And see how different work can be in a place whose very

heritage is its ability to make you feel welcome.

BUSINESS BERMUDA
The Better Balance

www.bermudabalance.com

2. BERMUDA



Pamela Gordon, the premier and UBP leader (left) and Jennifer Smith, opposition PLP leader

PROFILE Pamela Gordon and Jennifer Smith

Women of substance

Many believe the two women will alter the way politics is conducted

When Jennifer Smith, Bermuda's opposition leader, looks through the window of her office, beyond the traffic on Hamilton's Front Street, all she can see is the entrance to the office of Pamela Gordon, the premier.

"Whenever I look across there, I am inspired," says Ms Smith.

Ms Smith had hoped to be the first female premier of Bermuda. Until six months ago, she appeared to have a good chance of doing so, but she was beaten to it by Ms Gordon when a row in the incumbent United Bermuda Party (UBP) over foreign hamburger franchises led to the resignation of the premier, David Saul.

She is optimistic. "Now I am hoping to be the first Progressive Labour Party (PLP) premier," says Ms Smith, despite the fact that Ms Gordon's UBP has never lost an election.

With the colony's politics traditionally dominated by men, Bermudians are savouring the prospect of choosing in the impending election between two women, both young and attractive and both of

whom have been widely accepted as having the temperament for the job. Their rise to the top has been similar in some respects. They both achieved the leadership of their political parties when they did not expect to.

Ms Gordon was made a senator and appointed minister of youth, sport and recreation in 1990. She was named minister of the environment, planning and natural resources in 1995. She became premier when she filled a vacancy in the UBP leadership following the row over the hamburger franchise.

Ms Smith became an MP in 1989 and was the shadow minister of education. She was elected deputy leader of the party in 1994 and became PLP leader last year following the death of Frederick Wade.

There is mutual respect between the two women. "Pamela Gordon and I share a common concern for the well being of Bermudians," says Ms Smith. "I am happy that Bermudians have accepted that they can have a woman as premier."

"[Ms Smith] understands that if Bermuda is to move forward then we all have to do it together," says Ms Gordon. "People want assurance, and I believe this is the intention of the opposition leader, although

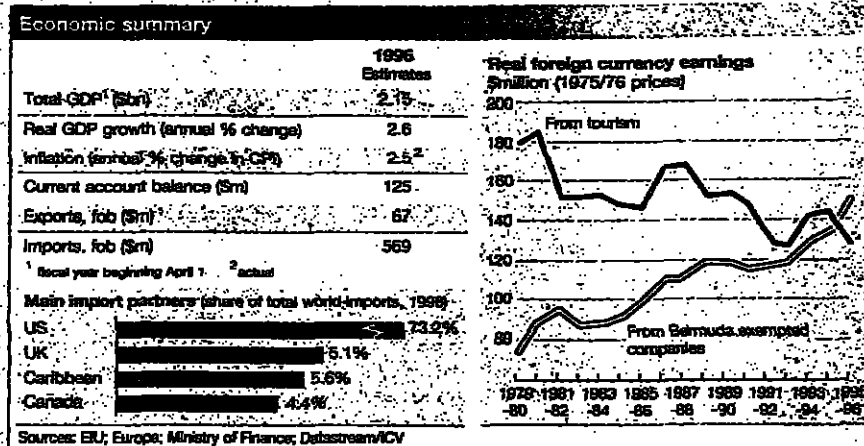
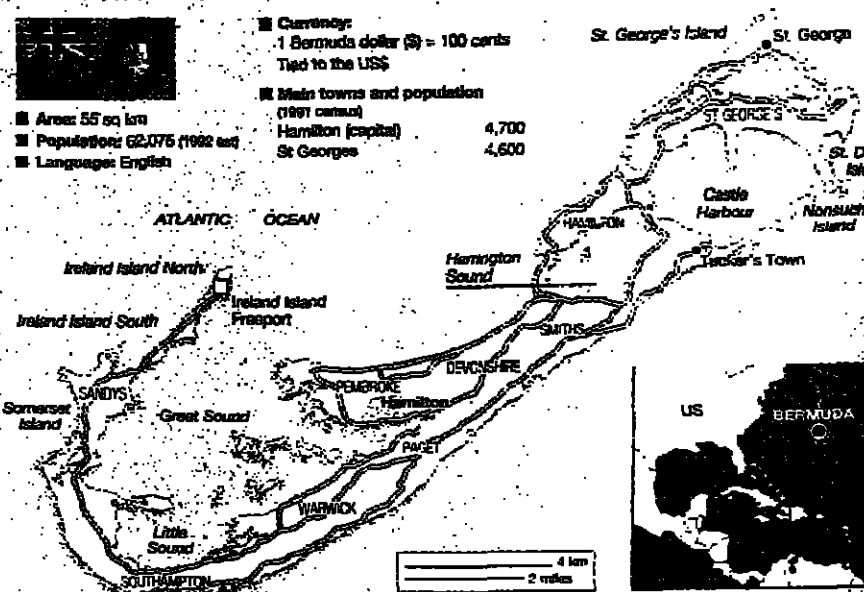
there are some people behind her who are pursuing policies which divide."

They are also equally clear on what their political legacy should be. "We must focus on policies that benefit all Bermudians," says the opposition leader. "We will have social problems if this is not done."

As premier, Ms Gordon sees her role as encouraging the population to take control of their destiny. "If there is nothing else I can do from this office, it is to say to Bermudians, 'the government can only create the opportunities; you must seize the day'," she says.

The fact that women are now leading the two parties is considered by many as promising a significant change in the way political matters are carried out in Bermuda. "Both women are less tainted by the political process, such as the conflicts of interest which we sometimes see in politics," says Cris Valdes-Dapena of the Property Group, property consultants. "In addition, women bring a certain calm and levelheadedness to a management position that men in politics seem to lack."

Canute James



Constitution

- Official name: Bermuda
- Head of state: Queen Elizabeth II, represented by a governor who is responsible for defence, external affairs, the police and internal security
- Form of state: Representative democracy, British dependent territory
- Executive: The executive, chosen from the majority party, heads a cabinet of no more than 24 members of the legislature
- Legislature: Bicameral; the upper house, the Senate, consists of 11 members, five appointed by the governor on the advice of the premier, three on the advice of the leader of the opposition and three by the governor at his discretion; the lower house, the 40-member House of the Assembly, is directly elected for a maximum term of five years
- Legal system: Bermudian law and the legal system are based on the UK model
- National elections: October 1993; next election due by October 1998
- National government: The UBP has won the last eight elections
- Main political organisations: Government: United Bermuda Party (UBP); Opposition: Progressive Labour Party (PLP); National Liberal Party (NLP)

POLITICS • by Canute James

Political temperature rises

As the parties' policies converge, the next election is expected to be a close call

These are times of change for Bermuda's politics. By all accounts, the impending election will be one of the closest in the colony's 30 years of party politics. Neither the incumbent United Bermuda Party (UBP), which has never lost an election, nor the opposition Progressive Labour Party (PLP), have indicated that they are overwhelmingly confident of victory.

"Some are saying that 30 years is long enough for one party to be in charge," says Pamela Gordon, the premier and leader of the UBP. "This election will be really close."

Jennifer Smith, leader of the PLP, contends that Bermudians are weary of the UBP's prolonged tenure. "This has made the UBP arrogant, unresponsive and ineffective," she says. "Our chances in the election are excellent."

Yet nine months ago, it appeared that a change to a PLP government was inevitable. The UBP was in trouble in the wake of damaging splits over independence and

a row about hamburger franchises. A referendum on independence in late 1995 was preceded by a division within the UBP over the issue. Sir John Swan, the premier, who advocated independence, resigned when the move was defeated.

A move by his successor, David Saul, to allow Sir John and his business partners to establish a McDonald's fast food store on the island led to another split when UBP backbenchers rebelled against the proposal. In the future, Mr Saul resigned, leaving the party in a state of uncertainty.

It appeared that the stage had been set for the UBP's defeat in the election and the installation of the first PLP government, headed by Ms Smith.

Now the outcome looks less clear. The fact that the parties are more evenly matched is credited to Ms Gordon, who succeeded Mr Saul in March. "She has knocked the party into shape with firm leadership," says the chief executive of one of the island's leading insurance companies. "The election battle will be more even than we thought six months ago."

Bermudians will choose as their political leader one of

two women, both representing the majority black population, and, by all accounts, both capable administrators and astute politicians. "If the vote were based on the party leaders alone, then it would be a dead heat," says the insurance executive.

Bermuda's politics is changing also in the philosophical positions adopted by the parties. There has been a convergence of policies which Ms Smith claims has been caused by a progressive implementation by the UBP of PLP platforms. "This convergence of policies is a benefit for us," she says. "At our inception in the 1960s we were called socialist and communist. People now see that we have had the right ideas."

Both leaders are committed to dealing with problems in the colony's social infrastructure, while strengthening international business and tourism, the pillars of the economy.

Ms Gordon is concerned about the imbalance in the economy. Ten per cent of the population controls 90 per cent of the wealth, she says. "Fighting narcotics is a major issue. We are a small island and it comes in by plane and boat. For too long we did not want to admit the severity of the problem. We

lost the young people, particularly the boys. This makes me a believer in the reform of education."

If elected, the PLP will "reform, redirect and clean up the social infrastructure," says Ms Smith. "This is vital to Bermuda's continued growth. Increasing violence and drug addiction are affecting the quality of life."

There are changes also in the support for the parties. Traditionally, the more conservative UBP has drawn most of its support from white Bermudians, with some backing from the black middle class. The PLP has been regarded as the party of black Bermudians.

"Party support along racial lines has changed in recent years," says Ms Gordon. "Look at me. Look at Sir John. The opposition points to us as uncle Toms. They do not accept that the face of politics is being changed but say that we are being used. This is not the UBP of the 1970s."

Ms Smith agrees that it is no longer true that the profile of the parties' support is based on race. "Although the PLP was said to be the party of black Bermudians, there are many white Bermudians who supported it philosophically, but who publicly did not want anything to do

with us. We have always had white members."

In the past, the prospect of a change from the UBP to the more liberal PLP would have given the business community more than small cause for concern. Now, business leaders maintain that they expect few and marginal changes in government policies if the PLP replaces the UBP.

"Politicians from both sides are themselves beneficiaries of international business," says Jan Spiering, managing partner of Ernst and Young and chairman of the International Business Forum, a think-tank on national policy made up of businessmen, government officials and civil servants. "If there is a change of government, this will show the maturity of Bermuda as a jurisdiction."

A PLP administration would run Bermuda in a "practical manner" and would "delicately balance" its programme of social legislation with the concerns of international business and tourism, says Andrew Carr, president and CEO of Marsh & McLennan.

"They all know that international business is a big part of the economy and they will not jeopardise this."

BERMUDA'S STATUS AS A COLONY • by Canute James

Still waving the Union flag

Neither party seems willing to reopen the question of independence

When Hurricane Felix swept Bermuda on August 15, 1995, its effect extended beyond the damage caused by high winds and heavy rain. It forced Bermudians to delay an important decision on their future - a referendum on the questions of independence for the island was held a day later than planned, after some two decades of debate on the issue.

Uncertainty over the colony's future caused by the debate had reached such a level of intensity that the referendum was inevitable. With one faction of the incumbent United Bermuda Party (UBP), including its leader Sir John Swan, then the premier, advocating independence, the vote should have been carried with the support of the opposition Progressive Labour Party (PLP), which had long supported independence. In the event, the PLP boycotted the referendum, claiming it was not happy with several constitutional matters and that the issue should be decided in a general election and not in a referendum. Just under 80 per cent of the electorate turned out for the plebiscite and a quarter of these voted for independence.

Sir John, who had staked his political future on the outcome of the referendum, saying he would resign if the vote was against, kept his word and was succeeded by David Saul. The debate left

the UBP divided. Advocates of the status quo say there is little Bermuda can get from becoming independent. They contend that the success of the colony's international business and financial services sector must be ascribed to its links with Britain.

"With the Union Jack in the background, there is the feeling that no one here will do anything too radical to upset the economy and the politics of Bermuda," says a leading banker. "All Bermudians have to do to get a lesson in what

can happen is to look to the south and see the political, economic and social mess which many Caribbean islands have made of themselves since they became independent," he adds.

Bermuda's constitution gives it almost complete internal self-government, with the locally elected administration being responsible for the colony's internal affairs, except for internal security. This, along with foreign affairs and defence, are the responsibility of the UK government.

In the wake of the referendum, neither the UBP nor the PLP is making independence an issue. "We will not look at this matter for another 10 years," says Pamela Gordon, the premier and UBP leader.

"We will be forced to look at it if the UK decides to rid itself of Bermuda," she says, however, that the question of political status will be reopened if the PLP wins the impending election. "Bermudians have a right to choose, and they have chosen," she says.

However, Jennifer Smith, leader of the PLP, said that

if it is successful in the election, the party would not immediately reopen the debate about independence. "The issue is in abeyance in the wake of the referendum," she says.

"We abstained on a principle of electoral reform because we need to be as democratic as possible about such important matters. Independence is not a priority for us right now."

Bermudian business agrees. The political and economic stability it needs could not be guaranteed if the British were not responsible for security matters, say business leaders.

"Independence would adversely affect Bermuda's image as an ideal location for international business," says William Woods, chief executive of the Bermuda Stock Exchange. "Our relationship with Britain and the benefits of ties to the OECD [Organisation for Economic Co-operation and Development] and the use of the Privy Council are significant reasons why international business wants to be here," he says.

As a self-governing colony, Bermuda "has the benefits of a dependent territory, so it cannot be dictated to," he adds.

The issue is not dead, however. Young, disaffected Bermudians, feeling they are increasingly unable to share in the growing wealth of the colony, are likely to keep the question of independence on the political agenda. And they could well find support from elements within both political parties that consider this too important a matter to be ignored for too long.

Source: Reuters

Providing innovative insurance capital

- ◆ corporate risk management and insurance
- ◆ catastrophe capacity ◆ securitization
- ◆ residual value and credit enhancement
- ◆ non-traditional MGA/MGU programs
- ◆ new venture capital ◆ new risk-bearing vehicles
- ◆ vendor finance ◆ project finance

CENTRE RE
SOLUTIONS

A member of the Zurich Group

www.centre-re.com

Bermuda 441-295-8501 Dublin 353-1-670-0755 London 44-181-616-0816
New York 212-850-5380 San Francisco 415-222-0420 Zurich 41-22-999800

Insurance underwritten by a member of the Zurich Group.
Coverages may not be available in all jurisdictions.

سكنا من الاعمال

PROFILE The Bank of Butterfield

An unfinished revolution

Reforms started by the bank's chief are in doubt following his recent departure

When John Tugwell took over as chief executive at the Bank of Butterfield, Bermuda's oldest bank, he brought with him a management style that may have ruffled the feathers of some of his longer established colleagues. Schooled at the UK's National Westminster bank, where he learnt what was required in order to stay afloat in the highly competitive world of commercial banking, Mr Tugwell introduced controversial cost-cutting measures and decided to exit several businesses.

But his abrupt departure from the bank less than a year into the job and the retirement of Sir David Gibbons as chairman has raised doubts about the bank's ability to complete the revolution he started. Within months of his appointment, he implemented a desperately needed shake-up at the bank, shutting down overseas operations and stripping out layers of management. Staff numbers are being cut by about 10 per cent and the number of directors has been reduced by a third - including Pamela Gordon who left when she became leader of Bermuda's ruling party and president.

New Mr Tugwell is leaving for "personal reasons". Bank of Butterfield refuses to elaborate, but some on the island wonder whether a clash over strategy might be partly to blame. The bank had been performing poorly for several years. Earnings growth had been sluggish and the banking business on Bermuda was barely profitable. The dividend had been held static for three years.

"We were making acquisitions to grow, but not in core areas," says Graham Brooks, senior vice-president. "Tugwell said let's concentrate on what we're good at."

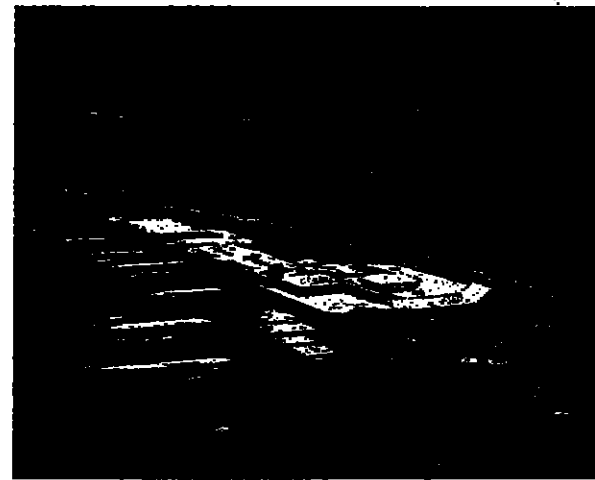
Christopher Adams

ECONOMY • by Richard Waters

Prospects rest on a new kind of engine

International finance is taking over from tourism as the mainstay of the economy

With hindsight, the mid-1990s look to have marked a historic turning point for Bermuda's economy. The slow decline in real spending on tourism - the traditional mainstay of the island's economy - finally intersected with the rapid growth of the international business sector. The result barring a sharp reversal, international finance (which generated \$660m of foreign earnings in 1995) rather than tourism is likely to be the biggest engine of the \$2bn local economy from now on.



Bermuda's civil airport: tourist arrivals are down

The so-called "80/40 rule" restricting foreign ownership of domestic companies to a minority holding, has "hindered rather than helped" the island's small banking industry to expand, says David Brown, chairman of Center Re, a subsidiary of Zurich Insurance. Meanwhile, the banks' profitable trust business has been opened to foreigners.

Partial deregulation and an undercapitalised banking industry have in other countries been ingredients for disaster, as financial regulators first hold back their local institutions, then overreact by rushing through the sweeping deregulation that can lead to unconstrained growth. How Bermuda avoids these pitfalls will be one of the big tests of the coming years.

by 60,000 people, there are clear limits to the nature of economic growth. The land issue, at least, should not prove too much of a restraining factor for some time to come, thanks to the handover of the former British, Canadian and US military bases.

The phase-out of these bases put something of a drag on the local economy but using the land for more productive purposes should provide a boost.

The process is like the shedding of an under-performing subsidiary by a company, says Grant Gibbons, Bermuda's finance minister: it releases resources that can be better employed.

The shift will include Bermuda's first attempt to move into light manufacturing. "We see an industrial park as a good way to diversify," says Mr Gibbons. Starting from scratch, though, will be a challenge. New microchip plants are fought for vehemently by countries around the world, and Bermuda cannot demonstrate a history of high-quality manufacturing.

This highlights an issue central to Bermuda's economic success: the development of a more highly-skilled, service-conscious workforce. This is an issue of particular importance to a country that wants to compete in markets such as international finance, tourism and microchips.

With the international business sector adding jobs at a rate of more than 6 per cent a year while tourism declines, this is already a central economic and social issue.

"There are no major fisheries, farms, factories or forests in Bermuda to provide large numbers of jobs for unskilled people," says Mansfield Brock, head of the Bermuda Monetary Authority and a former education minister. "Our schools have to educate more people to a higher standard" than those in other countries.

FINANCIAL SERVICES • by Christopher Adams

Influx of new vehicles

Rules are being adapted to accommodate a broader range of investments

Bermuda has stepped up efforts to broaden its financial services base by moving to "tap the rapid growth in mutual funds and rising demand among listed overseas companies for alternative trading venues."

But the government will have to tread carefully as it introduces rules designed to accommodate new investment vehicles if it is to retain the light tax and regulatory regime which investors find attractive: other offshore centres are also competing heavily for the business.

The number of investment schemes registered in Bermuda has increased sharply in recent months, rising from 714 to 944 over the year to June. The value of funds has swelled from \$14.7m to \$23.5m, making this the fastest growing area of financial services.

Bermuda has traditionally been regarded as a commercial insurance centre. Unlike the Cayman Islands, it does not have a strong offshore banking sector.

However, it has succeeded in attracting companies that operate in shipping, aircraft leasing and investment management.

Companies that are based in Bermuda pay no local tax, and are not subject to exchange controls or stamp duties. Ships registered in Bermuda can apply for exemption from freight tax levied on goods imported to the US.

Most recently, the island has benefited from the strength in the US economy, which has encouraged pri-

Collective investment schemes		1995					1997				
Number of funds	Assets	Q2	Q3	Q4	Q1	Q2	Q2	Q3	Q4	Q1	Q2
		1995	1996	1997	1998	1999	1995	1996	1997	1998	1999
Umbrella funds	\$m	63	60	63	67	82	63	60	63	67	82
Sub funds	\$m	202	202	205	205	210	202	202	205	205	210
Total mutual funds	\$m	265	262	268	272	292	265	262	268	272	292
Umbrella trusts	\$m	10	10	10	10	16	10	10	10	10	16
Sub trusts	\$m	12	12	14	14	18	12	12	14	14	18
Total trusts	\$m	22	22	24	24	34	22	22	24	24	34
Total	\$m	287	284	292	296	326	287	284	292	296	326

Source: Bermuda Monetary Authority

ve individuals to invest in the equity markets. Millions of small investors have put some \$1,800bn into equities through mutual funds.

"In addition, a move that has taken place within the insurance sector towards "securitisation", or placing risk with investors in the capital markets, is likely to underpin the further development of financial services.

"The thing is to build on the strengths you've already got," says Grant Gibbons, minister of finance. "A lot of insurance companies are beginning to look like investment banks in terms of risk transfer."

He says that Bermuda is amending its regulatory rules in order to cope with the influx of capital. Last year, it introduced a classification structure which set different parameters for institutional and retail funds.

It is also preparing a draft bill to regulate the securitisation of risk, to be published shortly.

Kym Astwood, registrar of companies, says that investors are uncertain about the status of products such as hurricane-linked bonds, or contracts traded on Bermuda's new catastrophe index that enable insurers to spread their risk more widely.

William Woods, chief executive of the stock exchange, says that 94 mutual funds have listed over the past 18 months. But trading in the funds is light and generates little revenue for the exchange.

Instead, Mr Woods is pursuing Asian companies that might be looking for a trading venue located in a western time zone.

The exchange, which was established in 1971, has also succeeded in persuading a number of Russian companies to list depository certificates.

The market capitalisation of all the listed stocks - excluding mutual funds - expanded rapidly from \$1.5bn at the end of 1995 to \$3.7bn today. There are currently 65 stocks, of which 13 are international.

bers to do in-house trading between clients in the US. In this way, large investors can sell stock without the danger of driving the price down.

The US regulatory authorities allow members to trade in stocks on exchanges outside the US as long as it occurs outside trading hours. London and Hong Kong have so far won much of this business.

Finally, the exchange is launching an index of Bermuda-based insurance companies. "This will closely correlate the claims and losses of the Bermudian market. It could act as a hedge on big hits in the US," says Mr Woods.

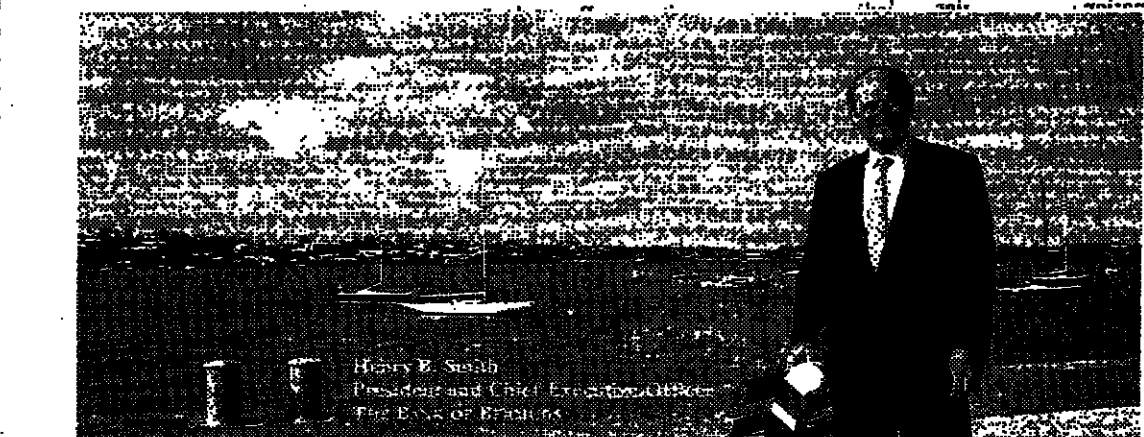
Meanwhile, efforts by Bermudian banks to develop their own asset management operations have focused on the island's captive insurance sector, which comprises companies which were set up by multinationals dedicated to serving their parent's insurance needs.

However, the entire insurance and reinsurance industry based in Bermuda has \$90bn in assets. The local banks - Bank of Bermuda, Bank of Butterfield and Bermuda Commercial Bank - have yet to win much of this.

"We have a pro-active marketing programme and would like to grow our share of this market," says Graham Brooks, senior vice-president at the Bank of Butterfield.

"But this will be limited by what investment policy a company has."

In trying to win customers among the big insurance companies, the banks are competing with global asset managers, like Merrill Lynch Asset Management, Invesco and Schroders. It is thought that local firms manage only about 3 per cent of the \$80bn.



"There is no substitute for strong, personal relationships."

BERMUDA • BAHAMAS • BRITISH VIRGIN ISLANDS • CAYMAN • COOK ISLANDS • DUBLIN • GIBRALTAR • HONG KONG • ISLE OF MAN • JERSEY • LONDON • LUXEMBOURG • MACAU • NEW YORK • NEW ZEALAND • SINGAPORE • WESTERN SAHARA

"Over the past 108 years we have grown into the largest, truly offshore banking group in the world. This achievement arises from the unique approach we take to our clients."

"As specialists in the provision of offshore financial services, what has always set us apart is the value we place on building strong, personal relationships. This commitment results in a level of service rarely encountered in banking today."

"We believe client relationships require more than just an investment of time. Our structure enables us to deliver the benefits of our offshore presence and multijurisdictional capabilities to both private and corporate clients. We apply our years of offshore specialisation to deliver an optimum mix of products and services to meet their specific needs. You'll find this client-focused approach at any of our seventeen offices, located in the world's key markets and trading areas."

"If our approach appeals to you, and you'd like to learn more about us, please call me on (411) 299-5367."

Handwritten signature of Michael Butt



THE BANK OF BERMUDA
GLOBAL PERSPECTIVE. OFFSHORE SOLUTIONS.
www.bankofbermuda.com

PROFILE Michael Butt

Hands on the lever

Formerly at Eagle Star, Mid Ocean's boss enjoys his company's clean balance sheet

Michael Butt hates baggage. When he took over as chief executive of Mid Ocean in 1992 what he liked most about the Bermuda-based catastrophe reinsurer was its clean balance sheet. No claims, no reserves, no premiums. Perfect.

Formerly head of Eagle Star, the composite insurance subsidiary of BAT Industries, Mr Butt has good reason to feel that way.

It was at Eagle Star that he suffered the full force of one of the biggest crises to affect the UK insurance market, losing his job as a result of the industry's disastrous exposure to mortgage indemnity insurance.

might make after selling repossessed properties.

When the British housing market slumped shortly afterwards and the rate of repossessions increased sharply, mortgage indemnity claims spiralled and Eagle Star suffered huge losses.

After paying the penalty for Eagle Star's troubles, Mr Butt was recruited to strengthen the management team at the newly formed Mid Ocean, which has subsequently grown from a capital base of \$350m to \$1.1bn.

Last year, the company earned a net income of \$21m on premiums which totalled \$498m.

Mr Butt says that insurance should be an uncomplicated business that is focused purely on assessing exposure and pricing risk.

This, however, is often not the case. At Eagle Star, he says, he felt stifled. "Having your hands on the rudder of a boat that big is much more difficult than I thought," he says.

"Large insurance companies have a tendency to be management driven

rather than insurance driven. It's often middle management that kills you and not the concept."

"When I left Eagle Star, a friend asked me how I had used my time. I saw that I had been spending 60 to 80 per cent of it on internal issues."

"Coming to a company of only four people, the difference is that your hands are on the lever and the boat moves forward, because you're in a dinghy rather than a supertanker. This is much more immediately rewarding."

This year, Mid Ocean has diversified away from pure catastrophe reinsurance, where fierce competition with the acquisition of Brookbank, which owns one of the largest managing agencies in Lloyd's of London.

Investing in Lloyd's, which suffered disastrous losses in the late 1980s and early 1990s, is not without its risks. But Mr Butt says that the 309-year old society's recovery plan has created a unique opportunity.

"We had huge capital but

no past, no incumbent to the capital. Lloyd's has a worldwide licence and writes 30 lines of business," he says.

Bermudian insurance companies have moved swiftly since Lloyd's opened its doors to corporate investors three years ago and now control 20 per cent of the capital backing the \$10.3bn of business which Lloyd's can write.

"If you stay static today, you're dead," says Mr Butt. "So you have to keep moving. We're looking for opportunities and would seek to continue our geographic expansion."

"Also, if you take a long-term view, you have to believe that emerging markets have great potential for growth," he adds.

Mr Butt is clearly satisfied with his move to Mid Ocean. He is one of only a few Bermuda-based insurance executives to have bought a home on the island. Most rent property.

Christopher Adams

4 BERMUDA

TOURISM • by Richard Waters

Visitors look to other shores

Competition from new destinations means Bermuda must upgrade its facilities

There is no easy cure for the problems that afflict Bermuda's tourism industry. And, for an island where international finance has become the main source of foreign earnings, that matters: insurance companies may have generated much of Bermuda's new wealth, but they are never likely to provide the number of jobs that have traditionally depended on visitors from the north-east corner of the US.

The difficulties affecting tourism are apparent from the island's dwindling visitor numbers. In 1980, more than 491,000 people came to Bermuda (not counting cruise ship passengers). By last year, the arrivals were 100,000 lower. The picture is no better this year, with visitors down another 6 per cent in the first eight months.

The lure of the Caribbean, which cheap air travel has made accessible to more Americans from the frozen north, has much to do with this state of affairs. Also, states from Arizona to the Carolinas now have the quality golf courses and resort hotels that can compete more effectively for the sort of business that once came naturally to Bermuda.

"We were the architects of modern-day island tourism," says Gary Phillips, who as director of tourism for the past 11 years has had one of

the more difficult jobs on the island. "But, like any product, it reaches maturity."

Finding a place for the island in this more competitive tourist age has prompted considerable soul-searching, particularly over the issue of cruise ships. More frequent visits by these floating resorts has helped lift the number of visitors, but it has done little for the overall health of the tourism industry.

These are people who spend much less money while on the island (an average of \$225 each, compared to the \$1,100 spent by other visitors). Also, the giant cruise ships loomed over Hamilton's Front Street have brought with them a rash of t-shirt and gift shops - a phenomenon which some locals fear will damage the island's up-scale tourist image and turn its more well-heeled visitors away.

This is much more than a cyclical problem. Bermuda's traditional clients - the well-to-do professionals who inhabit the north-eastern US - are enjoying a period of considerable prosperity. Four out of every five visitors comes from the US. If they are staying away now when times are good, how bad will things get when the US economy next goes into decline?

Two large hotels have already closed their doors in recent years, and it seems likely others will follow. The average, year-round occupancy of Bermuda's eight big establishments was only 59 per cent last year; during that period, these hotels

racked up losses of \$5.6m between them.

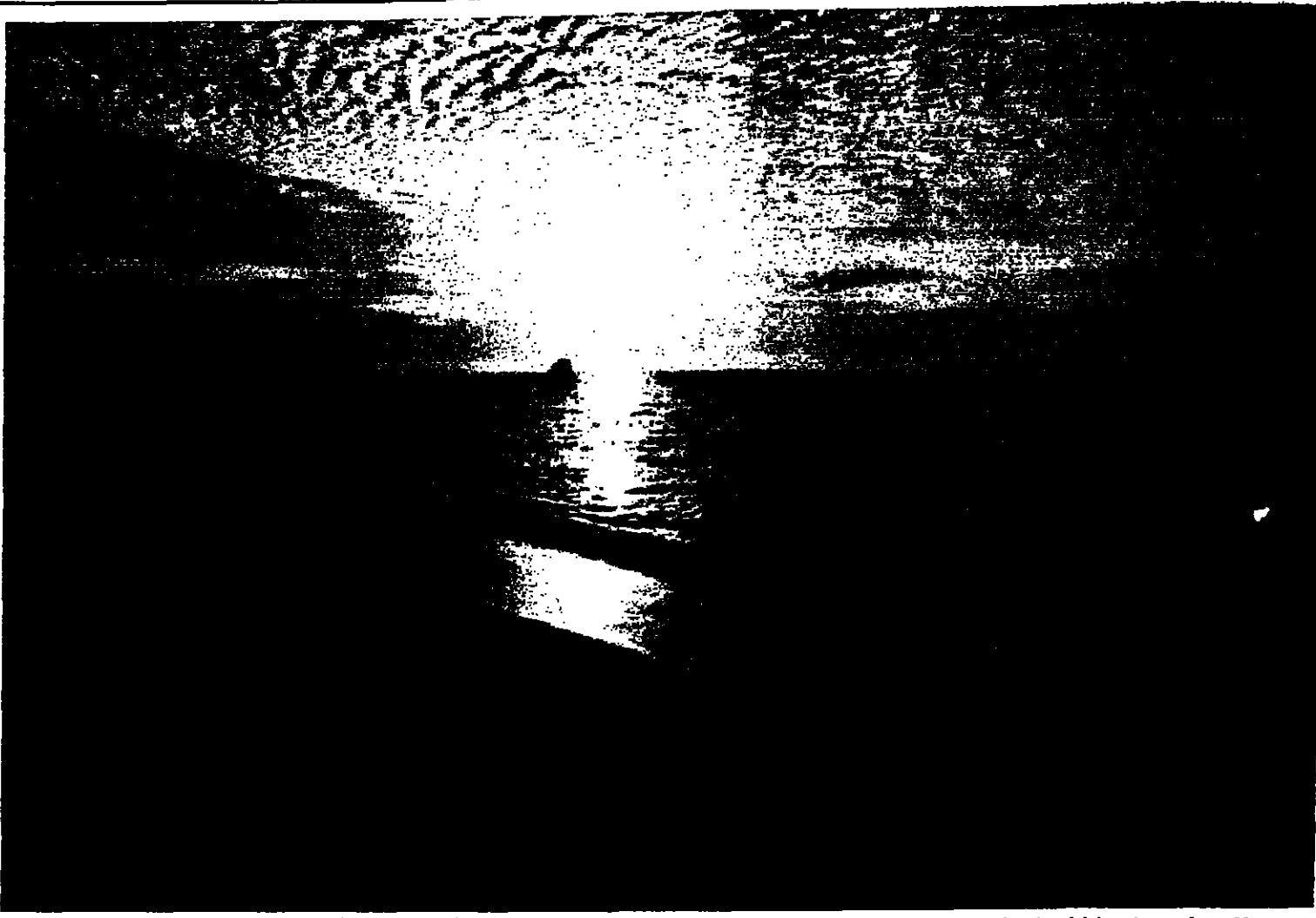
This is despite the sort of prices that make visitors gasp. A room in one of the large hotels costs more than \$300 per night, on average - thanks in part to high labour costs. Joan Griffin, a US tour organiser whose Bermuda Sports Marketing specialises in trips to island, blames the high costs largely on high wage rates, a view echoed by others in the tourism industry in Bermuda itself. "Where else does a chambermaid make \$800 a week?" Ms Griffin says.

In addition, despite considerable refurbishment of late, Bermuda cannot get away from the fact that its last big hotel, the Southampton Princess, is now a quarter of a century old.

At the same time, the needs of the people visiting the island have changed. Official figures suggest that about 15 per cent of visitors come on business, but that the actual proportion is reckoned to be far higher.

The type of service offered by some of the hotels may not have kept pace with this shift, suggests Wendy Davidson, a former head of the Bermuda International Business Association. "If you're in business, you want to be productive and get your work done," she says. Many hotel rooms still lack the facilities modern business travellers demand.

Faced with issues such as these, Bermuda has been paying more attention to matching the quality of its tourism product to the premium price it charges. "You



Horseshoe Bay: efforts are under way to develop a broader range of tourist activities for an island which has traditionally sold itself on its pink beaches and sunshine

have to provide a higher value-added package," says Grant Gibbons, Bermuda's finance minister. Mr Phillips adds: "We're in a price-sensitive market. We must go on value for money."

Some headway has been made on one important issue, according to frequent visitors: the quality of service in many restaurants and hotels. To the average American visitor, accustomed to high service levels at home, the less effusive

welcome accorded by many establishments has always been a source of frustration. This, say many visitors, is an area where more training has helped.

Bermuda is taking the first steps towards building the modern resorts it lacks. The first of its former naval bases to be redeveloped, now known as Morgan's Point, will include a resort with its own marina and golf course - the sort of all-in destination that has become for this

generation what the hotel-and-beach establishment was for the last.

This is a "kill or cure" response: new resorts such as this may bring extra visitors to island, or they may lure customers away from the older hotels, but either way they are likely to play an important part in Bermuda's future.

At the same time, efforts are under way to develop a broader range of tourist activities for an island which

has traditionally sold itself on its pink beaches and sunshine. Visitors see this as a good place to "relax and relieve stress," according to an opinion survey last year by Data Development Corporation. They are less impressed by the island's facilities, its lack of tourist activities and the quality of restaurants and shops.

None of these efforts, though, should detract from what is likely to be the best hope for Bermuda's tourism

industry: re-enforcing its traditional position as a luxury destination, a place where the streets are safer, the beaches quieter and the environment more refined than the run-of-the-mill holiday island.

"We can be repositioned as what we were some years ago - as a jewel, as a quality destination which exceeds [visitors'] expectations," says Mr Phillips. Getting to that point, however, is likely to take some time.

FORMER MILITARY BASES • by Canute James

An asset returns

Big plans are being made for land once used by US, British and Canadian forces

"Imagine, if you can, territory made up of California, Nevada and Arizona being returned to the United States," says Grant Gibbons, Bermuda's finance minister. "This is [proportionately] what has happened to Bermuda with the return of the military bases."

The government has ambitious plans for the use of the bases, which were previously occupied by US, British and Canadian forces, and which, along with the airport, make up 10 per cent of the island.

The bases were used mainly for tracking Soviet submarines in the North Atlantic. The end of the cold war and improved technology made the bases obsolete. The bases once contributed to the island's economy through local spending by those working there. The plan is to make these lands again an asset to the economy.

"Our company's mandate is to develop and use the former bases in ways which will reintegrate them back into the economic and social fabric of Bermuda," says Carl Musson, chief executive

officer of the Bermuda Land Development Company.

While some parts will be used to expand the island's tourism capacity, there are plans to introduce a range of service industries, such as telecommunications and informatics, to broaden the base of the economy.

The 707 acres previously used as military bases are in four locations. About \$350m will be invested in 250 acres at Morgan's Point, and by the end of this year the Land Development Company hopes to conclude an agreement with a developer to create a 200-room cottage colony style hotel and spa, a 400-bed marina, and an 18 hole championship golf course designed by Jack Nicklaus.

Daniels' Head is a 17-acre peninsula which was occupied by the Canadian armed forces, and will be developed as an eco-tourism resort. Tudor Hill, on 25 acres, is being prepared for residential and tourism development.

The largest of the former bases is Southside in the east of the island. The 415-acre property, which was part of a US naval air station, is adjacent to the airport.

"The development of Southside will be done over the next 20-25 years," says Mr Musson. "It is suited to many of the commercial

operations which we are hoping to attract. The telecommunications at the site is good with fibre optic cables which will be useful to the telecommunications and the informatics industry."

The former base has been zoned also for other commercial operations, including a freepoint, warehousing, fish processing, freight forwarding and aircraft maintenance.

Sections have been reserved for residential communities and public parks. Between \$60m and \$70m will be spent on improving Southside's infrastructure in the first five years of the development.

The most ambitious venture planned for the former base is the relocation of the island's container terminal from Hamilton, the capital. "The Hamilton port is nearing its operating capacity, and will exceed this before 2009, which is the date earlier forecasts had projected," says Mr Musson.

"The creation of a seaport in Southside has the potential to offer the economy several benefits, particularly in combining the port facilities with air cargo facilities at the adjacent airport and container stripping facility which will reduce the volume of container traffic on the roads," he says.

FAST FOOD OUTLETS • by Canute James

Battle of the burgers still sizzles

A legal wrangle over fast food franchises has divided the government

Neither side is claiming victory after the latest volleys in Bermuda's hamburger war. A company in which a former premier is a principal is locked in a legal battle over its bid to establish McDonald's fast food franchises on the island.

The issue has split the government, with a faction which is against the introduction of hamburger restaurants finding common cause with the opposition to successfully introduce legislation banning fast food franchises such as McDonald's.

The row in the ruling United Bermuda Party contributed to the resignation of David Saul, the premier, in March.

The split was sufficiently damaging to have threatened the survival of the administration. "We almost lost a government over ham-

burgers," says Pamela Gordon, the premier and UBP leader.

Bermuda has fast food restaurants. Kentucky Fried Chicken restaurants have been on the island for more than two decades. Bermudians had limited access to a McDonald's restaurant at a US naval base. The restaurant was closed when the US military pulled out of the island two years ago. The legislation banning fast food franchises ruled that none could be established after May 10 last year.

Opposition to hamburger restaurants has been based on the manner in which the franchise was originally granted to Sir John Swan, the former premier, and his business partners and the effect it is claimed such restaurants could have on Bermuda.

The administration had previously maintained that fast food franchises should not be allowed, says Trevor Moniz, one of the UBP backbenchers who supported the legislation banning the restaurants.

This was the policy when Sir John Swan was premier, and Mr Moniz and his colleagues rebelled against an apparent change in government policy which would favour Sir John at a partner in Grape Bay, the company seeking the McDonald's franchise.

"This is an ethical issue," says Mr Moniz. "It raises the prospect of sleaze. It was said we did not want any McDonald's, and we said this when Sir John was premier. This was the policy for 25 years and everyone said that

such franchises would be bad for Bermuda's image."

The presence of more fast food restaurants on the island would also adversely affect Bermuda's efforts to attract more wealthy tourists, supporters of the legislation said.

"It would cheapen Bermuda's image as a destination for those in the higher end of the tourism market," says one of the island's leading lawyers.

The opposition Progressive Labour Party supports the ban on hamburger restaurants. Such establishments would damage Bermuda's environment and its cultural image, says Jennifer Smith, the leader of the PLP.

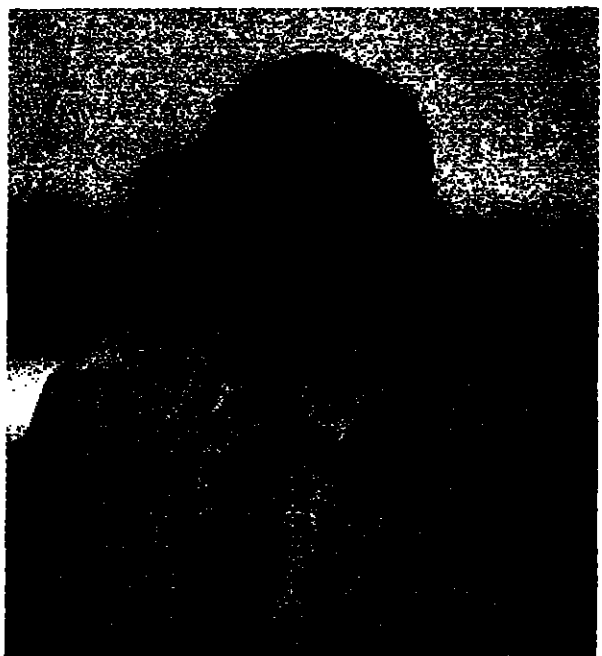
"We need to encourage Bermudians who want to establish business such as these," she says. "We were also very concerned about the distasteful manner in which the government was allowing the franchise for McDonald's."

Although the controversial concession has been granted to Grape Bay, the lease for the continued operation of the store at the airport has not been approved because of the row.

The bill banning foreign fast food franchises was signed into law by Thorold Masefield, Bermuda's governor. However, a court subsequently ruled that the act was unconstitutional, leaving open the way for McDonald's restaurants to be set up in Bermuda.

Sir John and his partners have not commented publicly on their next move, but the legal battle is likely to continue, and the matter may eventually reach the Privy Council in London. "The latest ruling means that a company could go ahead and set up a McDonald's," says Mr Moniz.

"But the ruling will be appealed by the attorney general when the Appeal Court sits in March. So they could still be prevented. Any investment in such a franchise now is a very risky as the investors could lose."



The row in the ruling United Bermuda party contributed to the resignation of David Saul, the premier, in March



To munch or not to munch: the island is debating whether to join the rest of the world and allow fast food chains to set up shop

Specialists in Offshore Financial Services

FUND ADMINISTRATION
MANAGEMENT SERVICES
TRUSTEE SERVICES
SECURITIES SERVICES
CORPORATE SERVICES

The Hemisphere group of companies provides an extensive range of financial services to international clients, both institutional and private. Hemisphere is one of the foremost offshore providers of financial services. Its corporate philosophy is one of proactive management with a focus on client relationships by a dedicated team of qualified professionals.

Hemisphere House, 4 Church Street, Hamilton HM 11, Bermuda
Contact: Christopher Wetherhill
Tel: 441.295.9166 • Fax: 441.292.6145

HEMISPHERE

An MRM Company

Mutual Risk Management, MRM, is a leading provider of alternative risk financing and offshore financial services. MRM is traded on the New York Stock Exchange under the symbol MRM.

Fax-U-Back Information Service

For details of forthcoming issues of FT Surveys, UK callers may use the Fax-U-Back Service.

The fax number to call is: 0990 209 908
For callers outside the UK, the fax number is +44 980 209 908

Technical note: Make sure your fax is in polling mode. If you have a handset on your fax machine, dial the Fax-U-Back number and press 'start' when instructed. Alternatively, the number can be dialled direct from the fax keyboard, followed by 'start'.

If callers have technical problems regarding this service, telephone 0171 8734378.

To obtain back copies of FT Surveys, call 0171 873 3324.

Open for
Extravaganzas.
Radisson Edwardian
DETAILS 0181 739 6311

FINANCIAL TIMES COMPANIES & MARKETS

Monday November 3 1997

brother
PRINTERS
FAX MACHINES

INSIDE Thailand tests market patience

The dollar has not been the only victim of the turmoil in equities. The Thai baht is one of several emerging market currencies that look as if they are in serious trouble. The baht ended Friday at a record low of Bt40.25 to the dollar, as the market started losing patience with Thailand's inability to come up with an economic rescue package. The Thai authorities will be praying for a bounce in Wall Street this week, as that could calm global fears about other high-yielding assets. Page 24

GLOBAL INVESTOR
Equities and bonds take different paths
Last week's market upheavals ended with equity and bond markets only slightly changed. But there was a marked difference between the performance of the two categories of securities. Page 22

INTERNATIONAL EQUITIES
Offerings in a gyrating market
In spite of last week's stock market gyrations, the market for new equity offerings remains surprisingly robust. Aside from the decision by Volkswagen, the German carmaker, to delay its rights issue, there were no postponements of large offerings. Page 22

COMMODITIES
Mixed fortunes in Asia from El Niño
Australian grain farmers are talking of their miraculous escape from the worst ravages of the El Niño weather pattern, but elsewhere in the southern hemisphere it is a different story, as a conference to discuss El Niño, scheduled to start in Manila on Thursday, will learn. Page 24

MARKETS THIS WEEK
New York
Last week's stock market correction appears to have delayed the need for a rise in US interest rates, but it remains to be seen whether the Treasury market's popularity as a haven will continue. Page 24

Frankfurt
The German DAX index of blue chips ended marginally higher on Friday in electronic trading at 3,759.66. Gerhard Eberstadt, director of Dresdner Bank, said developments in Asia had not altered the generally positive outlook for the world economy. Page 24

Tokyo
Japan's traders have the day off today, but it is unlikely they will be able to relax fully with other world markets open. The Nikkei index tested the 18,000 support level on Friday morning, and is unlikely to move into much safer territory this week. Page 24

London
There is no secret about what traders in London will be hoping for this week - a bit of peace and quiet. The main domestic focus this week will be the Bank of England monetary policy committee decision on interest rates, which will be announced on Thursday. Page 24

Hong Kong
Further volatility is expected this week after the Hang Seng index finished a rollercoaster week 4.7 per cent lower. Both H-shares and red chips were strong on Friday and are expected to remain so this week. Page 24

FT GUIDE TO THE WEEK - full listings Page 36

OVERSEAS AID
The biggest shake-up in British aid policy for 20 years will be set out on Wednesday in the government's white paper on international development, a product of the new Department for International Development (DFID) under Clare Short. Will this mean aid will no longer be used as a lever to encourage recipients to make political and economic reforms?
GOOD BREEDING
Horse racing's richest meeting, the Breeders' Cup series of races at Hollywood Park, California, to be held on Friday, has attracted entries from around the world.

Companies in this issue			
AES	19	KNP BT	20
Air Canada	21	Kellogg	20
AirAsia	5	Keppel Corp	4
Amvescap	19	Kia Motors	19
Aracasia Land	4	Komerani Bank	21
Asahi Glass	20	Liberty	18
Asiana	5	MAS	5
BZW	19	MEPC	19
Barclays	19	Mitsubishi Oil	19
Bowling	1	New Core	19
GEZ	20	Nikon	20
GPFL	19	Noranda	21
CSFB	19	OTP Bank	20
Comcast	19	Promodes	21
Canadian Airlines	21	Railly	20
Casino	21	Rolls-Royce	20
Cathay Pacific	5	SIA	5
Chilectra	18	Sapfi	20
DMG	20	Seaboard Maritime	4
Diolego	18	Siam Commercial Bank	21
Elf Aquitaine	19	Thai Airways	5
GE Capital	20	Total	19
GKN	20	Tractebel	19
Grandair	5	Uetner	21
Haitai	19	VBC	19
Hugo Boss	20	Vickers	19
Jurong Town Corp	4	Vietcombank	21
		WH Smith	20

Market Statistics		http://www.FT.com	
Base lending rates	27	London recent issues	27
Company meetings	28	London share service	28, 29
Dividend payments	28	Managed funds service	30-32
FT/SE-A World indices	22	Money markets	27
FT Guide to currencies	24	New int bond issues	28
Foreign exchanges	27	World stock market indices	33

Conglomerate blames losses in heavy industry sector

Haitai joins Korean list of companies in trouble

By John Burton in Seoul
Haitai, a leading South Korean confectionery producer, joined the growing list of the nation's conglomerates filing for bankruptcy protection at the weekend amid worries that a large retail group, New Core, may soon follow.
Meanwhile, Kia Motors, South Korea's troubled carmaker, is expected to resume operations today after workers ended a 10-day strike to protest the government takeover of the company.
Haitai, Korea's 24th largest business, requested court protection for its profitable confectionery, beverage, trading and retail units while it applied for court receivership for its loss-making electronics and industrial operations in the first step to selling them.
Haitai had amassed an unsustainable debt burden owing to an expansion policy into unrelated businesses - as have other Korean conglomerates that have fallen victim to an economic slowdown.
Meanwhile, government officials told the national news agency Yonhap that New Core might become the next conglomerate to collapse because it appears that creditor banks will refuse it new loans. New Core was saved from bankruptcy two weeks ago when it received Won54.5bn (\$56.5m) in loans.
The collapse of Haitai and New Core would mean that a fifth of Korea's top 30 conglomerates have filed for bankruptcy this year. More are expected since corporate financing is becoming tighter as borrowing rates climb due to credit downgrades by overseas rating agencies and cautious lending by domestic banks.
Financial troubles at Haitai became apparent in late August when it received emergency loans to avoid bankruptcy. Its debts of nearly Won3,000bn are close to seven times equity. Haitai reported 1996 net profits of Won35.8bn on sales of Won2,710bn.
Haitai was considered particularly vulnerable to a credit crunch since almost 60 per cent of its debt was short-term and borrowed from secondary financial institutions.
The collapse of Haitai would add to further pressure on Korean banks, which are suffering from mounting bad loans, because only a third of its bank loans were collateralised, according to Cho Hung Bank, the main creditor for Haitai.
Haitai blamed its financial problems on heavy losses at Haitai Heavy Industries, which it acquired in 1983 during a government-led restructuring



Kia Motors is today expected to resume production after a 10-day strike over the government's takeover of the company

of insolvent companies following Korea's last big recession. But analysts said Haitai had compounded its financial troubles by excess investment in electronics and retail businesses during the 1990s as it sought to diversify its operations. These new businesses have not performed as well as expected.

Barclays hopes for BZW deal by tonight

By Jane Martinson, Investment Correspondent
Barclays is to consider selling parts of the equities and corporate advisory businesses of BZW if Swiss-American investment bank CSFB fails to make a satisfactory bid for the whole by the end of today.
Under an agreed timetable, CSFB is expected to put a price on the businesses being sold by tonight. The bank is the last remaining bidder for the whole of BZW out of more than 20 which initially expressed an interest.
Throughout the unusual sale process, Barclays has insisted that a potential buyer took over all the various parts of the investment bank it had put up for disposal. However, it made clear last night that there were still several options available if CSFB made an unacceptably low offer.
"There were a lot of expressions of interest for parts of the business," said a senior Barclays executive. Several predators have expressed an interest in buying the bank's Australian business.
Two US banks - Bankers Trust and Donaldson, Lufkin and Jenrette - pulled out of the initial auction last week. Their withdrawal prompted speculation among rival investment bankers that Barclays would be forced to accept a lower price from the sole remaining predator.
The group has been criticised for its handling of the sale of BZW, which it put up for sale a month ago without an agreed buyer.
CSFB was understood to have spent the weekend working out the details of a possible offer. As well as the issue of price, the group, which occupies a neighbouring site to BZW in London, is likely to consider how to keep the best BZW staff.
Barclays offered BZW traders and dealers "golden handcuffs" in the form of guaranteed bonuses when it announced the sale, but valuable staff could still leave.
Any deal is likely to be complex, partly because of the nature of the businesses to be sold. Barclays argued that it was forced to sell the businesses in this way because of the complexities of dividing their administration from the rest of BZW.
The process prompted one senior Barclays executive to say yesterday: "I don't think it's 100 per cent certain that a deal will be done by Monday."

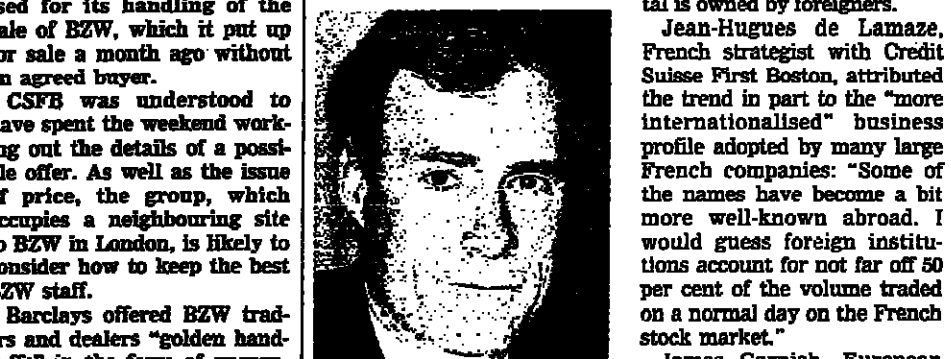
Amvescap aims for full listing on NYSE

London-quoted fund management group wants US identity to change 'foreign stock' perception

By Jane Martinson, Investment Correspondent
Amvescap, the independent fund management group, is campaigning for a full listing in New York as well as in London to increase liquidity in its shares.
The group, which has \$181.8bn in assets, is optimistic that the New York stock exchange will allow it to list, even though regulations state no group can operate with a full dual listing. Amvescap's shares are currently traded as American Depositary Receipts - paper that trades in lieu of underlying shares - in the US.
Bob McCullough, chief financial officer, said: "The NYSE has given us reason to be optimistic." He added that the issue was "one of the top priorities" of the NYSE chairman.
Michael Perman, company secretary, said using a full listing rather than ADRs would change the perception that Amvescap was a "foreign stock" among US investors.
Amvescap trades 90,000 shares a day in New York compared with between 2m and 3m in London.
Few US analysts cover the stock in spite of the fact that almost half its shareholders are based in the US. Amvescap also earns 90 per cent of its revenues in the US.
The Atlanta-based group is domiciled and listed in the UK for mainly historical reasons. It was formed from the takeover of Invesco, a US fund manager, by Britannia MIM, a UK company, more than 10 years ago.
The dominance of the US was crystallised when Invesco's \$1.6bn acquisition of AIM management group, the US retail fund manager, this year.
The group's irritation at its lack of liquidity in the US has been exacerbated by what it regards as onerous tax burdens in the UK. Mr McCullough is keen for the UK government to abolish advance corporation tax, which makes any plans for a buy-back expensive.
Amvescap is likely to consider a buy-back late next year when - under the terms of the takeover agreement - AIM investors are able to sell part of their shareholding in the newly formed company. Mr McCullough said investors might seek to offload up to 75m shares.
While the group is keen to maintain its UK listing, Mr McCullough warned that the existence of ACT and the threatened abolition of the foreign income dividend could make the group reconsider its position.
"We would obviously have to look at the domicile issue, particularly if there was no change [to the tax system]," he said.
The negotiations with the New York exchange are expected to continue through the end of next year. A spokesman for the exchange said ADRs acted as ordinary shares in spite of their separate status.

Foreign investors raise stakes in French companies

By David Owen in Paris
Foreign ownership of the share capital of Elf Aquitaine, France's largest industrial company, has reached about 50 per cent in one of the most striking illustrations of the changing structure of French capitalism.
Foreign cash has recently poured into French equities, attracted by an increasing emphasis by French corporations on investor interests.
The prospect of a national figurehead such as Elf being majority foreign-owned may committing itself to securing a return on capital employed of 13 per cent over the next five years, up from 6.5 per cent in 1996. The French state sold the bulk of its remaining 9.85 per cent stake in the group nearly a year ago.
While the proportion of Elf shares in non-French hands is one of the highest among French corporations, foreign ownership of French blue chip stocks has been rising inexorably. The position of Total, the other big French oil and gas company, is similar to Elf: 47 per cent of Total's share capital is owned by foreigners.
Jean-Hugues de Lamaze, French strategist with Credit Suisse First Boston, attributed the trend in part to the "more internationalised" business profile adopted by many large French companies: "Some of the names have become a bit more well-known abroad. I would guess foreign institutions account for not far off 50 per cent of the volume traded on a normal day on the French stock market."



Elf's Philippe Jaffré
create political controversy in a country where aggressive Anglo-Saxon-style management practices are still viewed with suspicion.
But it will have little, if any, impact on the way the company is managed. Philippe Jaffré, Elf's chairman, is in the vanguard of a new wave of French managers who have placed a greater emphasis on shareholder value.
In September, the company set new profitability targets.

BC European Capital VI

ECU 1 billion
\$1.1 billion

BC Partners is pleased to announce the formation of BC European Capital VI, an ECU 1 billion fund for the acquisition of European businesses in partnership with management.

Over the next three to four years, BC Partners expects the fund to invest in the acquisition of ten to fifteen European businesses, with acquisition values typically in the range of \$200 million to \$2 billion.

This announcement appears as a matter of record only. BC European Capital VI is advised by BC Partners Limited.

BC Partners

Acquisition Capital

London Paris Milan Hamburg

COMPANIES AND FINANCE

Proceeds from £400m Rolls-Royce sale could be used to purchase armoured vehicles division

Vickers looking at GKN defence arm

By Virginia Marsh in London and Ralph Adkins in Bonn

Vickers, the engineering group, is in talks to acquire part of the defence business of its smaller rival GKN and is also close to winning contracts for Challenger 2 tanks from Oman and Qatar.

Vickers hopes to raise more than £400m (£664m) from its Rolls-Royce luxury car maker, which it put up for sale last week.

Observers said yesterday that its purchase of GKN's armoured vehicles division - which has a slim order book - could be weeks away, with the two sides down to negotiating the price.

GKN would not comment on the reports, except to say there was a "certain logic" in the two businesses coming together, including through a joint venture. The company has indicated recently that it regards the

division as non-core.

Analysts say it would be opportune for GKN to sell the business before the award of two large forthcoming defence contracts, while Vickers said last week it aimed to strengthen its defence interests.

Vickers and GKN - which also owns the Westland helicopter business - are part of rival consortia bidding for orders for 3,400 multi-role armoured vehicles or "battle-

field taxis" for the British, French and German armies, and for 1,600 Tracer reconnaissance vehicles for the US and British armies.

Companies not on the winning team for either order will face the prospect of surviving on niche business, especially in export markets. Europe's armoured vehicle industry is under pressure to rationalise because European armies are buying fewer tanks and armoured

cars following the end of the cold war.

On Rolls-Royce, analysts still see BMW and Daimler-Benz as the front runners, despite a public denial from the latter.

Commenting on reports it was interested in acquiring Rolls-Royce, Daimler-Benz said at the weekend it had not seen details of the sale offer. It added that its own plans, announced earlier this month, for a new luxury

Mercedes-Benz car, the Maybach, showed that "in this segment we could go our own way". For these reasons such an acquisition was not on the agenda "at the moment".

Daimler-Benz is also seen as unwilling to get into a bidding competition with BMW, which is considered to have a good negotiating position because of its engine supply contract with Rolls-Royce.

MEPC plans £300m disposal

By Norma Cohen, Property Correspondent

MEPC, the UK's third largest property company, is expected to announce today that it is selling most of its underperforming small properties portfolio to GE Capital for about £300m (£498m).

The sale, one of the UK's largest portfolio transactions in recent years, comes just weeks after MEPC announced it would sell its Australian and US businesses and return at least £300m of the sale proceeds to shareholders.

MEPC is under pressure from its largest shareholders to improve its overall performance which has lagged behind much of the sector.

The company is not expected to complete the sale of its Australian business until after the year end and the US business is unlikely to be disposed of before well into 1998.

A significant asset disposal will leave MEPC with substantial cash to reinvest in the UK property market

before the current boom runs out of steam. It is not expected that sale proceeds from the smaller properties will be distributed to shareholders.

The sale of the small companies portfolio covers roughly 200 properties but will still leave MEPC with about £50m of assets in that category.

Smaller properties have historically proven troublesome for MEPC. While the entire property portfolio generated an internal rate of return of 7.5 per cent in the year ended September 1996, the small companies portion generated an internal rate of return of 4 per cent for the same period.

This compares with MEPC's current target of achieving an average annualised internal rate of return of 12.5 per cent over the next five years.

As of its last year end, a numerical two-thirds of MEPC's total property portfolio was invested in assets worth £5m or less, and over a numerical half in properties worth £2.5m or less.

WH Smith to sell The Wall

By Jane Martinson, Investment Correspondent

WH Smith, the UK retail group, kicked off its reorganisation strategy with the sale of The Wall, its US music retail business, over the weekend.

The group, which has come under pressure from shareholders to improve its performance, outlined its reorganisation strategy last month. It has now reached conditional agreement to sell The Wall to Camelot, a US mail-based music retailer for \$47m (£28m).

Richard Handover, WH Smith's new chief executive, announced the group's decision to sell Waterstone's bookshops, The Wall and its 75 per cent stake in Virgin Our Price, the UK music retail outlets, two weeks ago.

The decision to focus on the group's core business was seen as a direct riposte to restructuring proposals from Tim Waterstone, the bookshop's founder.

With the flotation of Waterstone's set for spring, the company said yesterday that the future of Virgin Our Price was "the only issue to be resolved".

The group has until the summer of 1999 to either sell



Under pressure from shareholders to improve performance: Richard Handover

its 75 per cent stake or buy the 25 per cent still owned by Richard Branson, the group's founder, and then sell it to somebody else.

Under the terms of the original sale agreement the

business will keep the Virgin brand name.

WH Smith said it was pleased with the price agreed for The Wall, which has net assets of \$48m.

In the year to May 31, The

Wall, which has 153 outlets in north-east America, broke even after making sales of \$174m.

In addition, tax losses of about £10m will be crystallised.

EC directive on feeder funds set to anger UK groups

By Jonathan Guthrie

Proposals contained in a new directive from the European Commission on cross-border investment funds seem certain to anger UK investment companies.

The Commission is expected to open a consultation period this month on the

directive, which is intended to make it easier for investment managers to sell funds across national borders.

However, the proposals, which are under consideration by the internal markets directorate, DG15, will not allow "feeder funds".

Such funds, favoured by

several UK investment managers and the Association of Unit Traders and Investment Funds, would be authorised locally, but would pass on all money paid in by local investors to a "master" fund established in another country.

Feeder funds could overcome the nervousness many

European investors feel at investing in a foreign-registered vehicle.

But an EC official said: "Feeder funds are an American rather than European concept and normally member states are uncomfortable regulating structures they do not know."

"They would not be

included in the directive. We would like to facilitate cross-border marketing by other means."

David Mossop, chief executive of Perpetual, a large UK unit trust manager, said: "I do not think feeder funds should be prevented."

"It is perfectly reasonable for us to put a French label

on an essentially English fund as long as we tell customers what the charges and structure are."

DG15 also wants to introduce much tighter qualifications for investment managers allowed to sell across borders: at present the emphasis is on the suitability of the funds themselves.

DMG gains Hungarian radio station in Ft4bn bid

By Anatoli Lieven in Budapest

Daily Mail Group (DMG) Radio of the UK has succeeded in a bid for a seven year concession for the Hungarian commercial radio station Danubius.

DMG is the leading partner in OK Radio, which also includes the Radiotrust Investment Fund from Britain, Hungary's OTP Bank and four radio personalities from Danubius.

The price paid is by far the highest so far for any eastern European radio channel. OK Radio will pay around

Ft4.2bn (£21.3m) for the concession.

Some 30 per cent is payable immediately, with the rest as four annual instalments.

Nine other groups expressed an initial interest in the sale, but were frightened off by the high price tag. Even Charlie Cox, managing director of DMG, said earlier in the year that he feared that the station might prove a "poisoned chalice" at that price.

A seven year concession for another, new radio station was allotted to Hungaria Radio, a consortium

which includes Emmis of the USA and Hungary's K&H Bank. They will pay Ft6bn (£20.3m) for the concession.

The Hungarian regulatory authority ORTT, which was responsible for the sale, argued that the channels can expect advertising revenue of up to Ft1.5bn a year, leading to an annual profit of around Ft400m. Total Hungarian radio advertising in 1996 was worth Ft6.3bn, up from Ft4.17bn in 1995. It is thought to have grown steeply again this year.

Of the two stations, Danubius is regarded as the plumb.

KNP BT surges as paper side makes recovery

By Gordon Cramb in Amsterdam

The papermaking business which KNP BT of the Netherlands is selling to South Africa's Sappi had an improved third quarter and last month began commercial shipments from its large new machine in Austria, the Dutch packaging and distribution group said yesterday.

The 91.5 per cent owned KNP Leykam, for which Sappi is paying Ft1.5bn (£750m) book value, encountered strong demand for wood-free and other coated paper even during the summer months.

This allowed it to put up prices after a deep trough in the industry cycle, but profit margins remained under pressure as pulp prices rose too.

Operating earnings from the unit reached Ft10m in the three months to September, a reversal from a Ft7m operating loss in the same period of 1996 but nowhere near the Ft108m seen in the

equivalent quarter the year before.

After investing Ft1.2bn in the machine at the Gratkorn site and other upgrades, KNP cut jobs and a year ago put the division up for sale. The eventual purchase by the South African pulp and paper producer is expected to be completed by the end of this year.

Net profits for KNP BT as a whole reached Ft65m this time, up 71 per cent. Sales at Ft3.8bn rose 16 per cent, and if adjusted for the effect of acquisitions and divestments the increase was only 9 per cent.

Its distribution side, comprising paper merchandising and office products, showed operating profits ahead 21 per cent to Ft70m. This came in spite of a poorer result from its activities in graphic and information systems, where margins were hit.

A good outcome from the traditionally strong fourth quarter was expected in distribution and packaging.

In America, you are not required to offer food to the hungry. Or shelter to the homeless. In fact, one of the nicest things about living here in America is that you really don't have to do anything for anybody.



To the 80 million of you who volunteered time and money last year, thanks for all you've given. Imagine what more could do. Call 1-800-55-GIVES. It's what in the world you can do.



NEWS DIGEST

Hugo Boss ahead at nine months

Hugo Boss, the German men's clothing company owned by Marzotto of Italy, said its net profits rose by about 20 per cent in the first nine months and would show a similar growth rate for the full year.

It expected sales to advance by about 13 per cent after a 15 per cent increase to DM944m (\$548.5m) in the January to September period. The slightly lower full-year sales growth rate would reflect the earlier delivery of some winter items and the absence of a contribution from its Joseph & Feiss subsidiary in the US, which has been closed.

Boss will launch its first women's collection in January, following the presentation of its new men's gold collection. It is also pushing ahead with further shop openings in the US, western Europe, Asia and South America.

Andrew Fisher, Frankfurt

JAPAN

Nikon hit by tax rise

Nikon, the camera and semiconductor equipment maker, said weak consumer spending after Japan's consumption tax increase in April was a factor behind the fall in its interim net profits. Overall sales dropped 3.2 per cent to ¥146.9bn (\$1.22bn) over the six months to end September. Domestic sales were down 15 per cent to ¥75.6bn, but export sales grew 8.5 per cent to ¥76.2bn.

Pre-tax profits shrank 42 per cent to ¥5.13bn, and net profits declined 65 per cent to ¥2.64bn. A fall in semiconductor prices also depressed earnings.

Nikon said it expected a slightly better performance in the second half, but still forecast declining profits for the full year. It said net profits would slip 41.9 per cent to ¥5.5bn, and pre-tax profits would fall 24.2 per cent to ¥12.5bn.

Bethan Hutton, Tokyo

OIL REFINING

Mitsubishi Oil falls into the red

A price war at Japan's petrol pumps has pushed Mitsubishi Oil, the refiner and distributor, into the red for the first half. Deregulation has led to intense competition in certain regions, with lower petrol prices all over Japan.

Mitsubishi Oil reported a net loss of ¥11.7bn (\$87.3m) for the April to September period, compared with a ¥1.1bn net profit for the same period time last. A pre-tax profit of ¥2.57bn in 1996 turned into a ¥11.08bn loss this year, on sales up 0.6 per cent to ¥519.6bn.

The price war is starting to ease and Mitsubishi also said it planned to make cost cuts of ¥5.5bn in the second half, which should help it break even for the six months. However, it did not expect to make it back into the black for the full year. The full-year forecast is for a pre-tax loss of ¥11bn, against a loss of ¥8.26bn, and a net loss of ¥14bn, compared with the previous year's net loss of ¥9.61bn.

Bethan Hutton

GLASS

Asahi ahead despite sales dip

Asahi Glass, one of the world's largest glass manufacturers, reported a 5.6 per cent improvement in first-half profits in spite of sluggish sales, which slipped 0.3 per cent to ¥432.8bn (\$3.6bn). Pre-tax profit grew 4.7 per cent to ¥15.1bn and net profit 5.6 per cent to ¥10.0bn.

Asahi said market conditions were difficult during the six-month period, with a stagnant economy and the consumption tax increase affecting both general consumer spending and housing investment.

For the full year, Asahi forecasts a 5.1 per cent increase in net profits to ¥20.0bn, on sales down 1.5 per cent to ¥890.0bn. Pre-tax profits should grow 2.3 per cent to ¥31.0bn.

Asahi declared an interim dividend of ¥4.5 and expects to pay a final dividend of the same amount, together with a special ¥1 dividend to mark the company's 90th anniversary.

Bethan Hutton

CZECH REPUBLIC

Utility falls 51%

CEZ, the largely state-owned Czech electricity utility, has reported a 51 per cent fall in unaudited net income for the first nine months to Kč4.1bn (\$124.3m).

The company has made a Kč1.87bn provision for unrealised exchange rate losses following the depreciation of the koruna in May. It predicted that profit for the full year would be between Kč4.5bn and Kč5bn, compared with its forecast at the end of 1996 of Kč6.1bn.

Revenues were 2 per cent down at Kč39.3bn because of slower economic growth and flooding in July, a fall in market share and only modest rises in rates to regional distribution companies.

Operating expenses rose 10.4 per cent, largely because of a 20 per cent increase in depreciation, but other expenses rose by Kč2.1bn because of exchange rate losses.

Robert Anderson, Prague

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

INI Finance B.V.

U.S. \$150,000,000 Floating Rate Notes Due April 1999
Common Code: 4974093

U.S. \$650,000,000 5 1/4% Notes Due December 1998
Common Code: 4743458

U.S. \$500,000,000 5 1/4% Notes Due December 2000
Common Code: 6230555

and

¥30,000,000,000 4 1/4% Notes Due December 1999
Common Code: 5428718

3 November 1997

NOTICE OF OFFER

Notice is given that INI Finance B.V. (the "Purchaser") hereby offers (the "Offer") to purchase for cash the entire principal amount outstanding of all or part of the notes issued pursuant to the issues referred to above (the "Notes") and, for this purpose, it has appointed Goldman Sachs International ("GSI") as its exclusive Dealer Manager.

The Offer will be open for a period from and including Monday 3 November 1997 until no later than 5:00 pm (London time) on Monday 17 November 1997 or for such other period as may be notified (the "Offer Period"). The price at which the Purchaser will purchase Notes tendered pursuant to the Offer (the "Purchase Price") will be fixed.

(a) In the case of fixed rate Notes at a price equivalent to the aggregate of the rates quoted (as) in the case of Dollar denominated Notes at or about 11:00 am New York time on the Purchase Price Fixing Date (as defined below) by reference to the semi-annual bid-side yield for the relevant government bond mentioned below in respect of each series of Notes;

(i) In the case of the U.S. \$650,000,000 5 1/4% Notes Due December 1998, for the 5 1/4% US Treasury Notes Due December 1998, less a margin of 0.15%;

(ii) In the case of the U.S. \$500,000,000 5 1/4% Notes Due December 2000, for the 5 1/4% US Treasury Notes Due December 2000, less a margin of 0.05%; and

(b) In the case of Yen denominated Notes by reference to the Tokyo Stock Exchange closing semi-annual equivalent yield for the Japanese Government Bond #124 4.5% Due December 1999 on the Purchase Price Fixing Date, less a margin of 0.15%; and

(c) In the case of the U.S. \$150,000,000 Floating Rate Notes Due April 1999 at a price equal to 100.246% of the principal amount thereof.

plus in each case interest thereon, being calculated on the principal amount of the relevant Notes accrued from and including the last Interest Payment Date to but excluding the Settlement Date (as defined below).

The Purchase Price in respect of each issue (other than the U.S. \$150,000,000 Floating Rate Notes Due April 1999) will be fixed on the first business day following the last day of the Offer Period (the "Purchase Price Fixing Date"). Notice will be given of such Purchase Price and published in a notice in the Financial Times and the Nikkei on the business day after the Purchase Price Fixing Date or as soon as practicable thereafter.

Notwithstanding to whom the Offer shall be made, all such Notes tendered for sale by them at the Purchase Price established by the Purchaser on the Purchase Price Fixing Date. Notwithstanding to whom the Offer shall be made, all such Notes tendered for sale by them at the Purchase Price established by the Purchaser on the Purchase Price Fixing Date. Notwithstanding to whom the Offer shall be made, all such Notes tendered for sale by them at the Purchase Price established by the Purchaser on the Purchase Price Fixing Date. Notwithstanding to whom the Offer shall be made, all such Notes tendered for sale by them at the Purchase Price established by the Purchaser on the Purchase Price Fixing Date.

Notes purchased pursuant to the Offer may only be delivered and paid for through Euroclear or Cede Bank. To participate in the Offer, Noteholders who do not have an account at Euroclear or Cede Bank may deliver their Notes through a bank, custodian or other financial institution which maintains an account with Euroclear or Cede Bank. Each Note must have all unexpired coupons pertaining thereto attached or delivered therewith.

The Offer is governed by and shall be construed in accordance with English law.

GSI is not acting for recipients of this Notice and it will not be responsible to recipients for providing customer protection and it is not advising recipients as to the arrangements described above. Noteholders who are in any doubt as to their position should consult their stockbroker, solicitor, accountant or other professional adviser.

GSI shall receive from the Purchaser a customary fee in respect of acting as Dealer Manager for it in connection with the Offer.

References in this notice to "business day" shall be to days on which Banks are open for business in London, Madrid, Tokyo, Brussels and New York.

Goldman Sachs International
Peterborough Court, 133 Fleet Street, London EC4A 2BB

This advertisement is issued by Goldman Sachs International, regulated by the Securities and Futures Authority for the purposes of Section 57 of the Financial Services Act 1986.

COMPANIES AND FINANCE

Vietnam bank ratings upgraded

By Jeremy Grant in Hanoi

Thomson BankWatch, the bank rating agency, said it had upgraded the short-term, local-currency ratings of six Vietnamese banks, including three of the country's largest, reversing a downgrade after only two months.

The country's nascent banking system was hit earlier this year by a series of letters of credit (LC) defaults, many the result of fraudulent trade deals in Ho Chi Minh City.

International confidence in Vietnam was further hit in July when Vietcombank, the country's biggest state-owned bank, refused to honour a batch of LCs.

Thomson BankWatch said its decision was prompted "in part by the disclosure of additional information regarding the nature and the scope of the letters of credit problem and related concerns".

It had also been encouraged by a recent government decree insisting that banks pay debts. "The developments have gone some distance to restore our confidence in the ability of the Vietnamese government to manage and defuse a potential banking crisis," it said.

Vietcombank was among the banks upgraded. Thomson BankWatch said it appeared the bank was current on all outstanding LCs, bar a few "potentially justifiable exceptions".

However, it did not say whether it had confirmation that the bank's many provincial branches - frequent defaulters regardless of policy at headquarters - had also cleared their debts.

German export credit agency Hermes two weeks ago confirmed it had withdrawn export credit cover for Vietcombank, citing problems over unpaid LCs.

Hanoi has been under pressure to bail out defaulting banks using modest foreign exchange reserves of about \$2bn. Many owe sums that far exceed their assets.

Thai bank to raise capital

By Ted Bardacke in Bangkok

Siam Commercial Bank, Thailand's fourth largest, is planning to more than double its registered capital from the current Bt4bn to Bt10bn (\$244m).

It is the ninth of Thailand's 15 commercial banks to announce a capital increase this year. But with minority shareholders and foreign investors wary about buying into Thai institutions following the financial crisis that has hit the country, only one capital increase has been successful.

Siam Commercial said it would offer a rights issue of 127m new shares at Bt47 per share, a dramatic discount to Friday's closing price of Bt78.50.

Shareholders subscribing to the rights issue would also receive a free warrant.

A further 50m shares will be offered at an undetermined price in a private placement to institutional



King Bhumibol, a shareholder in Siam Commercial Bank

investors, which have not been named.

Analysts will watch closely how the capital-raising exercise fares. At the end of June, 26.2 per cent of the bank was owned by the Crown Property Bureau, which is known to be

adverse to cash calls, while 3.5 per cent was directly owned by King Bhumibol Adulyadej, Princess Galyani and the Privy Purse.

The Crown Property Bureau also may face a rights issue by Siam Cement, where it is a big

shareholder. Siam Cement, facing at least Bt20bn in foreign exchange losses in the third quarter, also owns 4.9 per cent of Siam Commercial Bank.

The Ministry of Finance, which has agreed to be the buyer of last resort of a Bt5bn rights issue at Krung Thai Bank, owns 4 per cent of Siam Commercial.

Siam Commercial said the capital increase would lift its capital adequacy ratio to 11 per cent. It also said the move would complement the Bt70bn increase in the bank's deposits during the third quarter. Thai depositors have been flocking to the country's bigger banks in the wake of the devaluation of the Thai baht.

Analysts said that Siam Commercial also faced problems at Dhana Siam, its finance company affiliate, which also needs new capital. Merrill Lynch estimates that the bank's proportion of non-performing loans will more than double to 18 per cent by the end of next year.

Casino battle may extend to new year

By David Owen in Paris and Emma Tucker in Brussels

The battle for control of Casino, the French super-market group, may spill over into the new year, following a decision by the Conseil des Marchés Financiers, the French stock market regulator, to postpone the closing dates of the rival bids until after an expected court ruling.

The Conseil said the closing date for the hostile offer by Promodès, another retailer, would be January 30, while a white-knight bid by its competitor Rallye would close on February 20.

Meanwhile, the bid by Promodès was approved by the European Commission after it judged the deal would not harm competition in the European Union's single market outside France.

"The Commission has found that even though the buying power of the new entity vis-à-vis its suppliers would be very significant in France, it will not threaten to create or reinforce a dominant position in the common market," it said.

However, it referred part of the merger proposal back to the French competition authorities, believing they are in a better position to assess the impact of the deal in France. The French authorities have already estimated that a Promodès-Casino tie-up could lead to the creation or reinforcement of a dominant position in more than 50 local retail markets, including Paris.

The change of closing dates for the rival bids will enable the Paris court of appeal to make a ruling on the offers while they are still outstanding.

This ruling is expected on January 16. Promodès last month filed a complaint arguing that Rallye had breached regulations by failing to outbid a revised offer by Promodès. Rallye immediately counter-sued on several grounds, including that its bid was higher than that of its rival.

Third-quarter rise for Air Canada

By Scott Morrison in Vancouver

Air Canada, the country's largest carrier, has reported third-quarter earnings up 21 per cent to C\$181m (US\$128m), its largest quarterly profit, on strong passenger revenue growth for domestic and international routes.

The airline said operating revenues increased 17 per cent to C\$1.62bn on the strong performance of its passenger, cargo and other business segments. Passenger revenues increased 18 per cent to C\$1.36bn due to a 10 per cent growth in available seat miles.

Domestic revenues rose 7 per cent, in spite of a slight drop in capacity, while international passenger revenues, including services to the US, grew 24 per cent.

The carrier said the country's strong economy boosted third-quarter passenger traffic by 11 per cent over last year.

Canadian Airlines, the country's second largest carrier, recently reported third-quarter net earnings up 24 per cent to C\$106m, the highest quarterly profit in the corporation's history.

Air Canada's operating income reached a record C\$284m, a 37 per cent increase year-on-year. Its 17.5 per cent operating margin showed a significant 2.5 percentage point improvement and was one of the highest such margins among the big North American airlines for the quarter.

Net income nearly doubled to C\$333m during the first nine months of 1997, from C\$167m last time.

Operating income was C\$352m, a C\$147m improvement, in spite of four regional labour disruptions in the first quarter that reduced the total by an estimated \$57m.

Nine-month profit fall at Czech bank

By Robert Anderson in Prague

Komerční Bank, the largest Czech bank, has suffered a 63 per cent fall in unaudited net profits in the first nine months of this year to Kc1.82bn (\$55.15m).

The bank, whose 48.7 per cent stake may soon be for sale, blamed the fall on slowing economic growth, the May currency crisis and extensive flooding in July.

Profits were hit by Kc1.8bn of unrealised losses on the bank's securities portfolio since the rise in interest rates in May, and by a tighter market for loans.

Interest income for the period to the end of September fell 1.5 per cent to Kc10.89m, compared with the first three-quarters of 1996.

"The outstanding growth of previous years [is] giving way to a period of stabilisation characterised by a policy of caution and strengthening of provisions," the bank said.

Komerční is struggling to write off its portfolio of bad loans - the bulk of which is accounted for by Kc55bn worth of loans for which no interest has been paid for a year.

Of the Kc55bn of loans, only some Kc17.9bn has been covered by provisions. Provisioning as a percentage of classified loans has fallen from 28.5 per cent at the half year to 26.9 per cent.

Capital adequacy at the quarter-end was 10.23 per cent using BIS methodology, down from 10.33 per cent at the half-year stage. This will deteriorate further as the bank comes to grips with its bad loan portfolio.

The cabinet will consider privatisation next week. Ivan Filip, finance minister, and the bank's management favours a sale to a group of foreign investors.

NEWS DIGEST

Usinor to make statement today

Usinor, the French steelmaking group, has promised to make an "important" announcement today following a week that saw its shares fall heavily on the Paris stock market.

Francis Mer, chairman, is to "address important developments in the life of the company", the group said. The group's shares ended the week at FF96.50, unchanged on the day, but down 14 per cent from their price of FF111.50 at the end of the previous week.

The company said in September it was considering opening talks on possible co-operation with Cockerill Sambre of Belgium, in a move that would mark a continuation of the process of consolidation among European steelmakers.

"Our balance sheet can easily cope with a little more debt," Mr Mer said at that time. "After our Spanish adventure, we are on the road again."

Usinor was the loser in the sale of a Spanish government stake in Corporación de la Siderurgia Integral to Arbed of Luxembourg.

David Owen, Paris

NATURAL RESOURCES

Noranda earnings up 50%

Noranda, the Canadian diversified natural resources group, has reported third-quarter net earnings up 50 per cent from last year to C\$77m (US\$56m) due to stronger prices for zinc, copper and aluminium.

Operating earnings at the group's mining and metals unit more than tripled to C\$74m in the third quarter, which the group attributed to higher metals prices, combined with improved margins and volumes at the metallurgical operations.

Earnings from forestry products operations, however, dropped from C\$22m to C\$14m as a result of lower prices for most products. Third-quarter oil and gas operating earnings were also down, from C\$14m to C\$5m, mainly due to lower prices.

Noranda's third-quarter revenues advanced by 21 per cent to C\$2.7bn, while expenses jumped 20 per cent to C\$2.6bn and cash-flow from operations increased 26 per cent to C\$560m. Earnings for the first nine months of 1997 were C\$197m, down from C\$218m the year before.

Scott Morrison, Vancouver

BREAKFAST CEREALS

Higher global sales lift Kellogg

Kellogg, the US breakfast cereal maker, said net income jumped 30 per cent in the third quarter as global sales volume rose 11 per cent.

The nation's largest breakfast cereal maker said earnings rose to \$207.2m, or 50 cents a share, in the quarter, including charges of \$6.8m, or 2 cents a share.

The result compared with \$159.5m, or 38 cents a share, last time - which included charges of \$21.3m, or 5 cents a share.

Excluding charges, Kellogg's third-quarter results of 52 cents a share beat analysts' average forecasts of 49 cents a share. Sales rose 7 per cent from \$1.65bn to \$1.8bn.

"We achieved strong third-quarter growth in cereal volume in the United States and Latin America, and continued double-digit volume growth from convenience foods," Arnold Langbo, chairman, said.

Reuters, Battle Creek, Michigan



Frankfurt in the City.
As of November 3, 1997 you will find a piece of Frankfurt in the City of London: the Representative Office of Deutsche Börse. Now we will be closer to UK market participants, particularly

those who want to gain access to DTB, Xetra - the new electronic trading system for the German cash market - and to the settlement and custody services of Deutsche Börse Clearing AG. Come and visit us at:

Deutsche Börse AG
UK Representative Office
50 Cannon Street
London EC4N 6JJ
Phone (171) 7 78 9310

Your access to success

Deutsche
Börse

उभरती अर्थ-व्यवस्थाओं और
पूँजी बाजारों में माहिर हैं हम
ING BARINGS

FINANCIAL TIMES

MARKETS

THIS WEEK

At Home in Emerging
and Capital Markets
ING BARINGS

Global Investor / Peter Martin

The risks of deflation become clearer

Last week's market turmoil ended with equity and bond markets only slightly changed. But there was a marked difference between the performance of the two categories of securities.

Overall, the FTSE 100 Actuarial World Index of equities is, in dollar terms, just under 3 per cent lower than it was a week ago. Its largest single component, the US, fell by the same amount. So did the Pacific ex Japan. Europe performed better, falling only 1 per cent.

These are not particularly encouraging figures, but they are much more humdrum than the events of the week might have suggested.

What is striking, however, is the contrast with fixed income markets. In the US, the yield on 10-year Treasury

bonds dropped from 6 per cent to 5.8 per cent. Yields fell in most other developed markets, too, except the UK, where the ERM effect was at work.

Normally, such a bond market rally would also have helped equities. There are two possible reasons for the gap between the performance of the two markets, one more encouraging than the other. The more cheerful thought is that equity prices are merely adjusting themselves slightly towards levels that offer better value.

The more depressing thought is that the world may be entering a deflationary trap like that in which Japan has been ensnared for most of the 1990s. In such circumstances, equity prices are depressed and interest

rates fall to historic lows. Japan was at it again last week. Equities fell nearly 4 per cent, to a level 30 per cent below the dollar index's 83-week high. Yields on the long bond have fallen a quarter of a percentage point in the past month, to just under 2.5 per cent.

The thought that deflation may perhaps spread west doubtless lies behind the poor performance of such classic inflationary hedges as gold mining and real estate stocks. On the Morgan Stanley Capital International

indices, they are the two worst performing global sectors over the past month. Investment bank economists have spent much of the past week rebutting the "global deflation" thesis. There is enough expansion-

ary impetus in the world economy, they argue, to offset any contractionary pressures from the crisis in parts of Asia. Indeed, the setback to the emerging markets of the Pacific rim is seen as helpful to medium term growth elsewhere, because it eases inflationary pressures in the developed economies and allows interest rates to stay lower for longer than would otherwise be the case.

That may be true at the aggregate level. But in individual industrial sectors, the deflationary threat is more potent. The economists at Goldman Sachs in London are not worried about the risks of global deflation, partly because they expect inflation to continue in service industries while remaining subdued in manufactur-

ing. "It is quite possible to envisage a situation in which goods prices actually decline," writes Gavin Davies of Goldman, "but consumer prices rise overall about 2 per cent per year. Indeed, that has been precisely the situation this year."

The performance of individual sectors of the global equity market bears out this divergence of expectations. Over the past month, the worst-performing sectors are those most vulnerable to the crisis in parts of Asia. Among them are raw materials companies (metals, forest products, other materials) which will suffer from a downturn in demand from the region's factories. Other sufferers are companies that compete with Asian output,

in such industries as electronics and cars. With devalued currencies and collapsing domestic demand, Asian factories will be more aggressive international competitors.

Only one global sector is ahead over the past month - energy equipment and services. Others which have done less badly than most are those deflation-resistant, domestically oriented service industries highlighted by Goldman Sachs: broadcasting, health care, transport, insurance, leisure, financial services, telecommunications.

There is an implicit globalisation theme here. Companies which can be expected to prosper in the new era of diminishing barriers are those with inherent protection. They include those

Total return in local currency to 30/10/97

	US	Japan	Germany	France	Italy	UK
Cash	0.11	0.01	0.07	0.07	0.13	0.14
Week	0.47	0.05	0.27	0.22	0.55	0.63
Month	5.72	0.61	3.29	3.58	7.23	6.48
Bonds 3-5 year						
Week	0.71	0.21	0.35	0.70	0.20	0.17
Month	1.23	0.82	0.21	0.40	0.10	0.02
Year	7.50	4.34	4.83	4.80	12.96	8.40
Bonds 7-10 year						
Week	1.20	0.96	0.51	0.57	0.26	0.12
Month	2.00	2.29	0.80	0.39	0.11	0.23
Year	9.24	10.04	5.88	5.89	22.84	13.18
Equities						
Week	-5.0	-5.0	-6.3	-3.6	-5.9	-3.8
Month	-4.3	-3.0	-10.3	-8.9	-8.1	-7.2
Year	31.7	15.6	38.6	30.4	59.0	23.0

Source: Cash & Bonds - London Business School; Equities - FT/SE Index Ltd. The FT/SE 100 and World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

with strong global brands, which did so well earlier in the year; and businesses in sectors less exposed to cross-border competition such as services.

So even though the economists are probably right, and deflation is not a threat at an aggregate level, it remains so at the level of some individual industries. The overall surge in equity prices in recent years has

ignored such fine distinctions, just as Monday's setback in prices punished the good along with the bad, the exposed together with the protected. Over the long run, however, the differences will emerge more clearly. The overall level of world equity prices may look little different, at Friday's close, than at the close of the previous week's trading. But the risks are clearer.

COMPANY RESULTS DUE

Mitsubishi looks to weak yen for comfort

Mitsubishi Motors of Japan is expected on Friday to report parent pre-tax profit for the first half to September of ¥17bn-¥21bn (\$133m-¥173m), compared with ¥21.3bn last time.

Analysts say the key issue is the extent to which the yen's fall helped to offset weak domestic sales.

■ KLM Royal Dutch Airlines is expected tomorrow to announce net profit before exceptional of £132m-£140m (\$162m-£182m) in the second quarter to September up from £125m a year earlier.

The forecasts exclude expected extraordinary gains from the phased sale of KLM's shares in Northwest Airlines of the US, the first tranche of which brought in proceeds of £132m out of a total expected £117m.

Total fuel costs will rise slightly because of higher consumption, with the drop in fuel prices offset by the dollar's appreciation. Wage costs will rise because more staff are needed to deal with increased passenger traffic.

Nonetheless, KLM's operating margin should widen to 13 per cent in the second quarter (6.4 per cent).

■ British Airways' interim results on Wednesday are expected to show pre-tax profits of £390m-£420m (\$647m-£697m), against £470m last time.

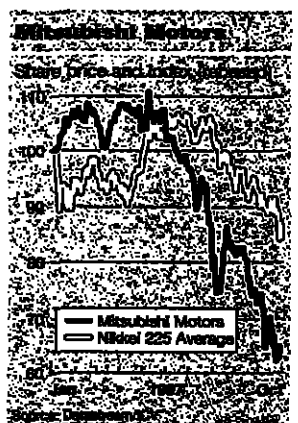
The drop is the result of the strength of sterling and the £125m cost of BA's cabin

crew strike in the summer. Analysts will want news of progress on the planned alliance with American Airlines, which is being examined by regulators in Brussels and Washington.

■ Marks and Spencer reports interim pre-tax profits tomorrow, forecast at between £460m and £480m. Questions will be asked about the group's plans for home shopping, progress on Littlewoods and the impact of foreign exchange movements on profits.

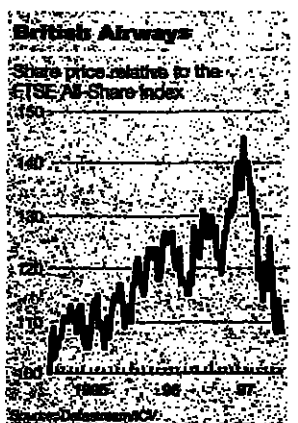
■ Thames Water reports interim results tomorrow. SBC Warburg is expecting pre-tax profits of £195m (£188m), earnings per share before exceptional of 43.9p (37.9p), and a 12 per cent rise in the dividend to 12.5p.

The market will be looking for an assessment of the cost



of complying with the regulator's tough leakage reduction targets, as Thames has the highest leakage rate in the sector.

■ Whitbread, the brewing and leisure group, opens the winter results season for pubs and brewers on Wednesday. Pre-tax profits



for the first half will rocket to £196m, 10 per cent up on last year's £177.5m.

David Thomas will be presenting his first set of results as chief executive.

■ Scottish Power, the Glasgow-based multi-utility, is expected on Wednesday to report a 40 per cent rise in

interim pre-tax profits to about £235m.

The result will be flattered by a full half-year contribution from Southern Water which was consolidated for only part of the previous corresponding period. An interim dividend of about 6.7p, up 8.6 per cent, is expected.

■ Mercury Asset Management, the UK's largest pension fund manager, reports interim results on Thursday. Analysts will be interested in the group's international business after it grew strongly in Germany and Japan last year.

Fluctuating performance earlier this year is unlikely to have significantly dented new business, which is expected to be about £3bn.

Pre-tax profits of between £26m and £28m are forecast for the six months to Sep-

tember 30, up from £21.8m last time.

■ Royal & Sun Alliance is expected on Thursday to report nine months operating profits of £719m to £746m. Formed by the merger of two composite insurers in 1996, it has not yet published a pro forma year-on-year comparison.

Analysts say several one-off events, from flooding in Scotland and damage to homes on the Caribbean island of Montserrat, are likely to have limited any improvement.

Some analysts think that management roles are not well enough defined. The group has both a chief executive and a deputy executive chairman.

■ Boots is expected to turn in pre-tax profits of between £245m and £250m at its interim results on Thursday,

against last year's £236m.

The figures will have been held back by a number of exceptional items, such as £16m interest on the payment of the special dividend. Attention will be focused on the underlying sales at Boots the Chemists.

■ Unilever is expected to report flat third-quarter pre-tax profits of £814m on Friday. The figures will break out the contribution made last year by the speciality chemicals business, sold to ICI in May for £4.9bn.

Operating profit on the continuing businesses is expected to show healthy growth, with continuing improvements in European margins.

The fine summer in Europe will have boosted ice cream sales, adding significantly to profits in a business with largely fixed overheads.

This advertisement appears as a matter of record only.

October 31, 1997

T

Deutsche Telekom AG
Bonn, Federal Republic of Germany

as Issuer and as Guarantor for Notes issued by

Deutsche Telekom International Finance B.V.
Amsterdam, The Netherlands

under an

ECU3,000,000,000
Debt Issuance Programme

Arranger

Deutsche Morgan Grenfell
Deutsche Bank Aktiengesellschaft

Dealers

Bayerische Vereinsbank AG

Deutsche Morgan Grenfell

Deutsche Bank Aktiengesellschaft

Dresdner Kleinwort Benson

Dresdner Bank Aktiengesellschaft

Lehman Brothers

J.P. Morgan Securities Ltd.

Westdeutsche Landesbank Girozentrale

Fiscal Agent

Morgan Guaranty Trust Company of New York

Commerzbank

Aktiengesellschaft

DG BANK

Deutsche Genossenschaftsbank

Goldman Sachs International

Merrill Lynch International

SBC Warburg Dillon Read

Deutsche Morgan Grenfell



INTERNATIONAL EQUITIES BY VICTOR BOLOD

Offerings in a gyrating market

Despite last week's stock market gyrations, the market for new equity offerings remains surprisingly robust.

Aside from the decision by Volkswagen, the German car maker, to delay its rights issue, there were no other postponements of large offerings, while the pace of US initial public offerings (IPOs) showed little sign of slowing down.

An indication that the European privatisation market remained relatively unscathed by the turmoil came with the decision by the Portuguese government to proceed with the sell-off of Erisa, a motorway operator.

It announced an indicative price of from £4.100 to £5.000 (£14.33 to £17.48) a share - a range that leaves plenty of scope for market volatility - for its planned sale of up to 30 per cent of the company.

Austria's state privatisation agency set a final price of Sch505 (£25) per share for

the sale of 44 per cent of Austria Tabak, raising about \$300m (£235m).

Bankers said there was strong domestic retail interest in the issue but noted that it was cautiously priced, in the lower half of the indicative range of between Sch475 and Sch550.

A secondary offering of shares in OTP, a Hungarian savings bank, was also successfully placed last week, in the teeth of the turmoil, although the shares dipped about 10 per cent in the immediate aftermath of the issue.

Meanwhile, two other big state sell-offs - of telecoms groups Telstra of Australia and Matav of Hungary - remain on track. Matav can be considered unfortunate to have unveiled its flotation and price range just before the markets began to falter. Its roadshow will test the remaining appetite of investors for telecoms issues in what has been an exception-

ally heavy few weeks for new stock from that sector.

Bankers said the success of new issues in these more difficult markets rested on pricing. They noted that institutions remain cash rich, and that these investors might be bargain hunting if markets settled down.

In other words, it is now a buyer's market, having been a seller's paradise for much of 1997. What remains to be tested is the appetite of investors for new issues between now and the end of what, up to last week, had been an exceptional year for capital raising.

An intriguing aspect of the stock market jitters is the effect it will have on retail demand, which has played a key role in boosting European issues this year. If the interest in Telstra, a guide, ordinary investors may be willing to persevere where they spot a bargain.

However, some equity syn-

dicate officials doubt whether retail interest will stand up if markets do not settle down. "Sensibly, one should be targeting more at institutions rather than retail in markets like this," one official cautioned.

What if the institutions are unwilling to buy? What issuers and advisers want to avoid in a difficult market is a situation where the syndicate is left with shares they would have difficulty selling.

That is understood to lie behind Volkswagen's decision to postpone its rights issue, after its shares plunged well below the rights price of Dm1,010 (£255). Syndicate members said there was pressure from underwriters for Deutsche Morgan Grenfell and Dresdner Kleinwort Benson to move to prevent a flop.

"We were all feeling a little exposed - there was very little chance of a rights issue succeeding in this market," one banker said.

The Financial Times plans to publish a Survey on

Indonesia

on Monday November 24

For more information, please contact:

Jenny Middleton

Tel: +44 171 873 3794

Fax: +44 171 873 3204

or Brigitte McAlinden in Hong Kong

Tel: +852 2 905 5554

Fax: +852 2 537 1211

or your usual Financial Times representative

سكنا من الامل

OCTOBER 28, 1997.

FIVE STOCK MARKETS.

9 BILLION SHARES TRADED.

ONE REALLY COOL

PRODUCT DEMONSTRATION.

It was the greatest single day of trading. It was also the greatest test of our NonStop Himalaya systems. These scalable enterprise systems, from our subsidiary Tandem, handle every trade for the New York Stock Exchange, NASDAQ, and the Hong Kong, Paris and London markets. No matter what your information needs are today — or could be tomorrow — doesn't your business demand the same rock solid reliability?

COMPAQ

MARKETS: This Week

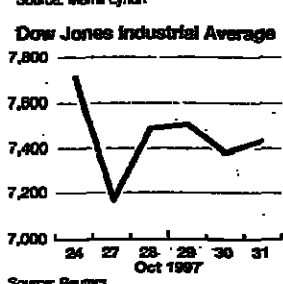
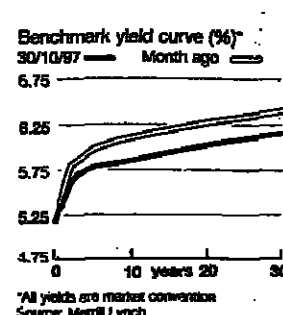
NEW YORK By Tracy Corrigan

Last week's stock market correction appears to have delayed the need for a rise in US interest rates but it remains to be seen whether the Treasury market's popularity as a safe haven continues. Bond traders will be watching to see whether Treasury yields continue to trade inversely to equities.

Analysts have differing views of the longer-term impact of last week's stock market correction, and the weakness in Asian markets. Philip Braverman of DKB Securities says: "A firming [at the November 12 FOMC meeting] is virtually precluded by the US stock-market drop and adverse emerging market developments. The next Fed move is likely to be an easing some time next year."

Mr Braverman believes the weaker US stock market will prompt a "marked slowdown in US economic growth, prompting even lower inflation and lower bond yields".

However, Robert D'Ellement of Salomon Brothers does not believe the financial market developments of the last week have let the Federal Reserve off the hook, observing that Fed chairman Alan Greenspan "took only a small step back from the hawkish sentiment he



expressed a few weeks ago". He thinks stronger domestic economic data may rule out further rallies, even if "near-term steady policy, combined with the anticipation of eventual drag from overseas and diminishing bond supplies may anchor US bond yields in current ranges near 6 per cent".

Key indicators this week are due on Friday, when October jobs data and consumer credit numbers are released.

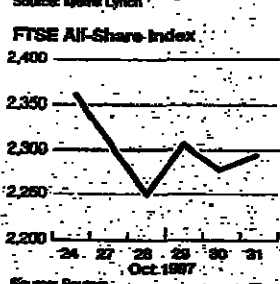
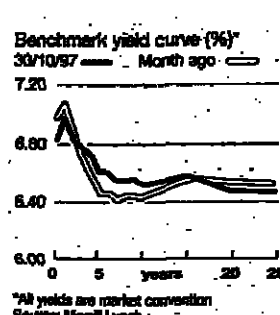
LONDON By Philip Coggan

There is no secret about what traders in London will be hoping for this week: a bit of peace and quiet. The recent turmoil and whipsaw market movements have been enough to unnerve the calmest of investors.

The UK is scarcely the centre of the storm; its economy is reasonably sound and its equity market did not look the most exposed. But it has been battered by Wall Street to the west and Asia to the east, and there has been no escape.

The main domestic focus this week will be the Bank of England monetary policy committee decision on interest rates, which will be announced on Thursday. Three months ago, the consensus view was probably that rates would rise this month, but the stock market turbulence and signs of slower consumer spending have prompted some doubts. Nevertheless, short sterling futures are pointing to one more quarter-point rise this year.

Helping the committee in its deliberations will be figures on M0 money supply, consumer credit, the purchasing managers index and industrial production. The September consumer credit numbers are expected to be particularly weak.



because of the effect of shop closures on the day of the Princess of Wales's funeral. Corporate results have almost been forgotten in the market mayhem but there are important figures this week from Associated British Foods, Boots, BP, British Airways, Marks & Spencer, Mercury Asset Management, Royal & Sun Alliance, Shell, Unilever and Whitbread. Their views on the economy, the strength of sterling and the Asian crisis will be closely watched.

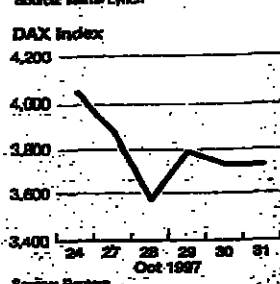
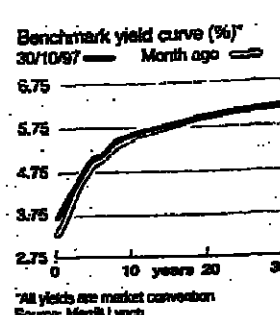
FRANKFURT By Andrew Fisher

The German stock market recovered some of its nerve at the end of last week, but few traders are betting that the volatile times are over. Even though both Wall Street and Hong Kong were looking less battered on Friday, the mood on world financial markets will take time to settle.

The German DAX index of blue chips ended marginally higher on Friday in electronic trading at 3,753.66. This still leaves it nearly 30 per cent up on the year, in spite of the decline in recent weeks. Analysts have now scaled back their estimates of where the DAX will be in a few months.

Hypo-Bank expects a consolidation between 3,500 and 3,700 if the Asian markets remain relatively calm after the latest rout. The 4,000 level, already exceeded in the market euphoria earlier this year, should then again be in sight.

Gerhard Eberstadt, director of Dresdner Bank, said the DAX should be able to achieve 4,000 points in the first quarter of 1998. Developments in Asia had not altered the generally positive outlook for the world economy, he added. The German economy was also in good shape, in spite of the slow pace of reform.



The main German economic indicators due to be released this week are October unemployment figures, which are expected to remain stuck at a national rate of 11.2 per cent, and September order inflow and industrial production data, both of which are seen likely to rise.

TOKYO By Bethan Hutton

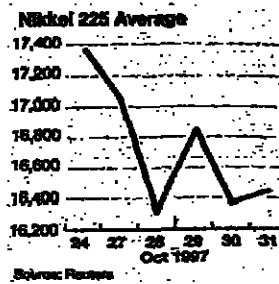
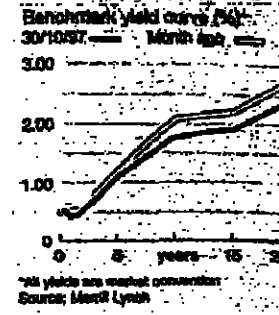
Japan's traders have the day off today, but it is unlikely they will be able to relax fully with other world markets open.

Market turbulence from all sides rocked Japanese markets last week, and there was little good news at home to turn the tide. The Nikkei index tested the 16,000 support level on Friday morning, and is unlikely to move into much safer territory this week.

The yield on the key 10-year government bond slipped from 2.352 per cent to 2.351 per cent over the course of last week - after considerable fluctuations along the way. With substantial improvement in the state of the stock market unlikely this week, bond yields could continue to set new lows.

The main agenda for both stock and bond markets will probably continue to be set by world markets this week, with domestic factors playing a role on the edges.

Pronouncements from the government on the economy have become incrementally gloomier over the past week, with added concern voiced by the Ministry of International Trade and Industry about the impact of falling markets in south-east Asia on Japanese corporate



performance and the domestic economy. Depressed consumer spending in the wake of April's consumption tax increase is still one of the main dampening factors on corporate earnings and the economy in general, so the markets will be watching Tuesday's release of the household consumption survey for September for any signs of a better trend. They are unlikely to see them: the consensus forecast is for a further decline.

OTHER MARKETS Compiled by Jeffrey Brown

HONG KONG

Further volatility is expected this week, with China plays continuing to make some of the healthiest gains in a choppy trading environment, writes Louise Lucas in Hong Kong. The Hang Seng index finished a rollercoaster week 4.7 per cent lower after notching up one of its worst days on record with a 19 per cent fall on Wednesday.

Both H-shares and red chips were strong on Friday and are expected to remain so this week. An interest rate cut in China was largely ignored by the market, then in the grip of currency-inspired turmoil, and brokers said investors were now factoring it in.

China plays also suffered some of the biggest losses in the downturn, and helping the rebound is a reported influx of mainland money. Also likely to be in favour are defensive plays such as utilities. Hongkong Telecom, which announces its interim results on Friday, will be closely watched.

Investors are likely to remain cautious about the

property and banking sectors, which dominate the blue chips. These have suffered the most since interest rates were raised earlier this month, and investors are looking for a swift return to lower loan rates before placing big buy orders.

The resistance level on the Hang Seng index, which closed on Friday at 10,623.78, is seen at 11,000.

Paris French equities ended a net 5.8 per cent lower after a week of fairly wild day-to-day swings for the CAC 40 index. Volume was high by recent standards, but the business was largely intra-market.

Wall Street and Asia are expected to continue to set the tone, although as the Paris bourse closed on Friday the lack of a break-through had injected a worrying domestic niggles into investor sentiment.

Good reports last week from Axa-IAP and Générale des Baux kept the flow of company results upbeat.

Although this week's business confidence index may prove a shade less stimulating than recent numbers, brokers see little reason to doubt the fundamental support base for share prices.

AMSTERDAM Local diversions to the upheaval in global equity markets may emerge for Dutch investors this week, with three components of the AEX index set to unveil quarterly results. Bumper numbers are widely expected when KLM reports tomorrow and there should be useful signals on Thursday and Friday from Royal Dutch and Unilever respectively.

The AEX index fell a net 3.3 per cent last week, so Dutch equities could do with some good news. Strong trading, positive currency factors and integration benefits are seen as providing KLM with high-flying second-quarter figures.

Oil sector enthusiasts will be hoping for stronger downstream and chemical margins to offset lower oil prices at Royal Dutch.

COMMODITIES By Gary Mead

Mixed fortunes in Asia from El Niño

Australian grain farmers are talking of their miraculous escape from the worst ravages of the El Niño weather pattern, but those elsewhere in the southern hemisphere tell a different story, as delegates to a conference to discuss El Niño, scheduled to start in Manila on Thursday, will learn.

Unusually high temperatures in the Pacific ocean, linked by meteorologists to large-scale global climate

disruptions, are the essence of an El Niño. This year's is set to be the biggest since that of 1982-83, which caused around \$13bn of damage.

If Australian farmers have eluded disaster, others in Asia have been less fortunate. The many soft commodity disruptions being blamed on El Niño include: a 40-60 per cent collapse in the forecast 120,000 tonnes for this year's Malaysian cocoa production, according

to the Cocoa Board; a 2.2 per cent drop in Malaysia's palm oil production, to 5.6m tonnes; and 60,000 fewer tonnes of natural rubber.

El Niño oil prices have recently soared in Europe, to as much as \$620 a tonne, compared with \$475 a tonne a year ago and a 10-year average to October of \$350 a tonne. Key producers such as Chile and Peru have been badly affected by the higher ocean temperatures, and

their combined fishmeal stocks were at a seven-year low of 505,000 tonnes.

The National Food Authority in the Philippines has been sanctioned to import 850,000 tonnes of rice in 1998 as buffer stocks; unmilled rice harvest forecasts in the country have been reduced from 11.9m tonnes to about 11.4m tonnes, although that is likely to be even further reduced in the run-up to

Christmas, normally the peak time for El Niño events.

More than 1.12m hectares of crops have been damaged in Thailand, particularly sugar and rice; estimates for the 1998 second rice crop have been reduced by 38 per cent, to 2.8m tonnes. Perhaps the most severe impact is being felt in Indonesia, which faces a 40 per cent drop in production of robusta coffee beans.

CURRENCIES By Simon Kuper

Prayers go up for a rebound on Wall St

Foreign exchange traders start this week as spectators. Moves in currencies are likely to follow events in the stock markets.

Last week's plunge in Wall Street dragged the dollar down more than 5 pips against the D-Mark. Going into this week, jitters remain. If sentiment towards Wall Street weakens and capital inflows into the US shrink, the country's current account deficit would rise and the dollar would fall.

The dollar was far from being the only victim of the turmoil in equities. Several emerging markets currencies entered this week's straits.

The Thai baht ended Friday at a record low of Bt400/050 as the dollar, as the market started losing patience with Thailand's inability to come up with an economic rescue package.

The Greek drachma has come under attack, as speculators try to force its devaluation. The Thai and Greek

authorities will be praying for a bounce in Wall Street this week, as that could calm global fears about other high-yielding assets.

But perhaps the biggest battle of the week will take place in Brazil. The country has come under pressure to devalue the real, widely seen as overvalued. Brazilian stocks plunged last week.

Carlos Menem, president of Argentina, is confident that Brazil will pull through. He reported a telephone call

from Fernando Henrique Cardoso, president of Brazil, who told him: "Carlos, we have no doubts about this. If we devalue, then you'll have to devalue and who knows where we will end up?"

Mr Cardoso will do his best to ride out the attacks on Brazilian stocks. But he too will be keeping his fingers crossed for a recovery in Wall Street.

Economic data will be of secondary importance this week. However, the US non-

farms payrolls data never pass unnoticed.

Figures for October, due on Friday, are forecast to show a rise of more than 200,000. The National Association of Purchasing Managers' index for October, released today, should also show a strong reading.

The Bank of England's monetary policy committee meets on Wednesday and Thursday. Few see it derving to test the markets' nerves by lifting interest rates.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Ameritech (US)	Tele Danmark (DK)	Telecoms	\$3.2bn	Taking 40%
B&E (UK)	Units of Siemens (Germany)	Defence electronics	\$512m	Defence consolidates
Kredietbank Lux (Belg)	Banco Urquijo (Spain)	Banking	\$282m	70% stake
Caribair Int'l (US)	Visual Action (UK)	Communication services	\$237m	Buyer's largest
Berkshire Partners (US)	Unit of Pentland (UK)	Electrical accessories	\$173.5m	Non-core disposal
KOC (Turkey)/Pebco (US)	Kangal (Turkey)	Power	\$125m	Privatisation buy
USEN/HRG (US)				
ERS (US)	Teleparque (Canada)	Retail Services	\$100m	Merger plans
Procter & Gamble (US)	Ssangyong (S Korea)	Consumer	\$69m	Control planned
ABF (UK)	Guangdong Hua (China)	Food	\$21m	Joint venture
ABF (UK)	Glinjeok (Poland)	Food	\$16m	Initial 41%

Berkshire Partners (US)	Unit of Pentland (UK)	Electrical accessories	\$173.5m	Non-core disposal
Koc (Turkey)/Peabody (US)/NRG (US)	Kangal (Turkey)	Power	\$125m	Privatisation buy
ERS (US)	Telepanel (Canada)	Retail Services	\$100m	Merger plans
Procter & Gamble (US)	Ssangyong (S Korea)	Consumer	\$69m	Control planned
ABF (UK)	Guangdong Bo Hua (China)	Food	\$21m	Joint venture
ABF (UK)	Gilnojeck (Poland)	Food	\$16m	Initial 41%

THE RANDFORTH ESTATES
Gold Mining Company,
Winnersland, Limited
(Incorporated in the Republic of South Africa)
(Registration number 01 00241-00)

GENERAL MEETING
A general meeting to approve the acquisition by The Randfouth Estates Gold Mining Company, Winnersland, Limited of Western Areas North Division will be held at the registered office, Consolidated Building, Corner Fox and Harrison Streets, Johannesburg on Monday, 24 November 1997 at 10h00.

Holders of share warrants to bearer may obtain copies of the circular detailing the acquisition from the London Secretaries, JCI (London) Limited, 6 St James's Place, London SW1A 1NP.

JCI (London) Limited
London Secretaries
3 November 1997

Marine Tech. Limited
Covered Warrants
to purchase shares of common stock of
ZUKEN INC.
Issued with U.S.\$71,500,000 2 5/8 per cent.
Guaranteed Notes due 1999
"Revision of the Purchase Price"

Notice is hereby given that pursuant to Condition 2.1 of the Terms and Conditions of the Warrants set out in the First Schedule to the instrument dated 18th October, 1996 constituting the captioned covered warrants (the "Warrants"), the Purchase Price for the Warrants shall be revised downward as follows:

Purchase Price before revision: \$1.907 per Share
Purchase Price after revision: \$1.526 per Share
Effective date of the revision: 21st November, 1997 (Japan time)

Marine Tech. Limited
Cayman Islands
By: Morgan Guaranty Trust Company of New York,
London Office
Principal Paying Agent

Dated 3rd November, 1997

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, October 31, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Algeria	136.25	473.00	279.85	0.248	Chad	11.00	1.00	0.248	1.00
Argentina	246.78	147.17	65.122	0.248	Chad	11.00	1.00	0.248	1.00
Australia	96.387	58.898	38.101	0.248	Chad	11.00	1.00	0.248	1.00
Austria	13.763	5.750	2.344	0.248	Chad	11.00	1.00	0.248	1.00
Bahrain	243.754	143.392	64.678	0.248	Chad	11.00	1.00	0.248	1.00
Belgium	207.128	129.712	120.861	0.248	Chad	11.00	1.00	0.248	1.00
Brazil	4.277	2.700	1.568	0.248	Chad	11.00	1.00	0.248	1.00
Bulgaria	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Canada	640.280	621.120	284.251	0.248	Chad	11.00	1.00	0.248	1.00
Chad	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
China	8.277	2.700	1.568	0.248	Chad	11.00	1.00	0.248	1.00
Colombia	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Czech Rep.	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Denmark	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Egypt	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
France	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Germany	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Greece	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Hong Kong	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
India	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Indonesia	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Italy	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Japan	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Korea	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Malaysia	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Mexico	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Netherlands	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
New Zealand	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Norway	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Poland	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Portugal	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Romania	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Russia	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Saudi Arabia	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
South Africa	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Spain	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Sweden	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Switzerland	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Taiwan	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Thailand	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
Turkey	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00
USA	1.8758	0.909	0.507	0.248	Chad	11.00	1.00	0.248	1.00

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY

Abbey National Treasury Services 8% Gtd. Nts. 1998 £400,000
APV 3.15% Cm. Pf. 1.575p
Do 4.55% Cm. Pf. 2.275p
Do 5.25% Cm. Pf. 2.625p
Asda Property Hldgs. 0.9p
Beattie (James) 2.5p
Bellsouth \$0.36
Bentalls 0.7p
British Petroleum Co. 5.5p
Do \$0.6713
Do \$0.8713
Catties 3.25p
Close Brothers Grp. 8.2p
CrestCare 0.31p
Dawson Grp. 2.1p
DCS Grp. 1p
Edinburgh Fund Managers 8p
Enterprise Oil 6.9p
Filtronic Comtek 1p
First Choice Holidays 0.9p
Gallaher 9.625p
Gowings 1.1p
Highcroft Inv Tst 2.35p
IAF 4.5p
Laing (John) 2.7p
Do A (NVG) 2.7p
Lavendon 1.3p

Lowe (Robert H) 0.125p

Macro 4 15.5p
Manders 3.1p
Moorepay 1.1p
Ocean 5.4p
Pall \$0.14
Pittards 1p
Sema 2.8p
Shell Trans 5.1p
Singer & Friedlander 2.13p
Taylor Woodrow 1.25p
Travis Perkins 3.3p
TH European Growth Tst 0.9p
Do Pig Sb 1.8p

TOMORROW

Abbey National Treasury 8.14% Gtd Nts 1998 \$25.0
Astec (BSR) 0.69p
Beaufort 0.3p
BSM 2.53p
Compel 3.6p
Ewart 0.8p
New Zealand 11 1/4% 2008 \$281.25
Paramount Foods 2.5p
Quayle Munro 2p
Quebec 8 1/4% Ser OD Nts
Nov 2011 \$26.25
Royal Doulton 2.3p

Rubicon 4.1p
Sunderland 3.2p
Usher (Frank) 7p

WEDNESDAY

NOVEMBER 5
Abbey National Treasury 7 1/4% Gtd Nts 2001 £381,250.0
Birze 0.3p
Eksportfinans 7 1/4% Nts 1997 £377.50
Pemberton 1.1p
Sweden 8% Bd 1997 DM800.0
Torex 0.5p

THURSDAY

NOVEMBER 6
Abbot 0.8p
Dunedin Smaller Co's Inv Tst 8 1/4% Db 2022 £4.1875
Forth Ports 4.5p
Healthcare 1.65p
Howard Hldgs 0.8p
Lawrence 6.12p
Robert Walters 1.3p
Steel Burnell Jones 0.75p
Utd Assurance 7p
Vodafone 7 1/4% Nts 2001 £78.75

Whitbread 7 1/4% Un Ln 1995/99 £23.625

FRIDAY

NOVEMBER 7
Ascot 3p
Boosey & Hawkes 2.17p
Bradford & Bingley Bldg Scty FRN Feb 1999 £184.32
City Merchants High Yield Tst 2.5p
City Technology 3.82p
Dewhurst 1.4p
F & C Pacific Inv Tst 0.8p
Framlington Dual Tst 2p
Hemlingway Properties 0.18p
Henderson American Cap & Inc Tst 1.8p
Intrum Justitia 1.3p
Johnston Press 1p
Mayborn 2.8p
Oasis Stores 2.4p
Scottish Media 6.6p
Secure Tst 7p
Smurfit (Jefferson) IR1.65p
Southampton Leisure 1p
Tilbury Douglas 7.5p
Walker (Thomas) 8.25p
Watmoughs 2.75p

SUNDAY

NOVEMBER 9
Halos 8 1/4% Db 2018 £4.1875

UK COMPANIES

TODAY

COMPANY MEETINGS:
Gartmore Scotland Inv Tst, Charles Oakley House, 125, West Regent Street, Glasgow, 12.00
Invesco Japan Discovery Tst, 11, Devonshire Square, E.C., 12.00
Lendu, 3, Clanciarde Gardens, Tunbridge Wells, Kent, 10.30
Northamber, 1, Lion Park Avenue, Chessington, Surrey, 12.00
Superscape VR, Cromwell House, Bartley Wood Business Park, Hook, Hants., 2.30
BOARD MEETINGS:
Finals:
Assos British Foods Interims:
Blacks Leisure
Prowling
Stratagem
Style Hldgs.

TOMORROW

COMPANY MEETINGS:
Beverley, Woodlands

Grange, Woodlands Lane, Almondsbury, Bristol, 11.00
Bryant, National Motorcycle Museum, Coventry Road, Bickenhill, Solihull, W. Midlands, 12.15
Logica, Church House, Westminster, S.W., 3.00
BOARD MEETINGS:
Interims:
Betterware
Celeis
Dairy Crest
Marks & Spencer
Northumbrian Fine Foods
Powerscreen
Securities Tst of Scotland
Thames Water

THURSDAY

NOVEMBER 6
COMPANY MEETINGS:
Brunel, Chippenham Town Hall, Chippenham, Wilt., 11.00
Dalgety, Hotel Russell, Russell Square, W.C., 11.00
Framlington Dual Tst, 155, Bishopsgate, E.C., 12.30
Heart of Midlothian, Tynecastle Stadium, Gorgie Road, Edinburgh, 6.00
Northern Leisure, Insurance Institute of London, 20, Aldermanbury, E.C., 12.00
BOARD MEETINGS:
Finals:
Kwik Save
MMT Computing
Smart (J) Contractors
Interims:
Scots
Etam

Mercury Asset Mgmt
Undervalued Assets Tst

FRIDAY

NOVEMBER 7
COMPANY MEETINGS:
PlazaExpress, Alban Gate, London Wall, E.C., 9.30
Ricardo, Institute of Mechanical Engineers, 1, Birdcage Walk, S.W., 11.00
Walker (Thomas), Grand Hotel Cromwell, Birmingham, 12.00
BOARD MEETINGS:
Interims:
Cedars
Criterion Props.
Wyndham Press
Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

CONFERENCES & EXHIBITIONS

NOVEMBER 4-5
Linking the Balanced Scorecard to Strategy
Too often the Balanced Scorecard framework is treated in isolation from strategic objectives. This conference will enable you to develop a balanced scorecard framework that supports the successful implementation of strategy.
Contact: Kate Jenkins at Business Intelligence Tel: 0181 879 3355
Fax: 0181 879 1122
Email: kate.jenkins@business-intelligence.co.uk
LONDON

NOVEMBER 5 & 6
A New Century in Publishing, An FT Conference
Confirmed speakers include: The Rt Hon Michael Heseltine MP, Nigel Stansbury, Reed Elsevier, Marjorie Scardino, Pearson plc; Michael Lynton, Penguin; Max Hastings, Editor, Evening Standard; Ms Dorothy Coccoi Palato, President, Dow Jones Interactive Publishing.
Enquiries: FT Conferences
Tel: +44 171 896 2639
Fax: +44 171 896 2697
Email: sales@pearson-pro.com
LONDON

NOVEMBER 11 & 12
The 9th Annual FT Petrochemical Industry Conference
Organised with Chemical Matters, confirmed speakers include senior executives from BP, NOVA, Dow, National Petroleum Company of Iran, UOP, and Shanghai Petrochemical Company.
Contact: Sarah Gibb, FT Conferences
Tel: +44 171 896 2639 Fax: +44 171 896 2696
Email: sarah.gibb@pearson-pro.com
LONDON

NOVEMBER 17
Low Cost Pensions
A Strategy Forum answering four vital questions:
• How can they be marketed?
• How can they be administered?
• How can they be regulated?
• How should they be invested?
A City forum super round table. Opening keynote speaker: The Rt Hon Harriet Harman MP. Sponsored by Price Waterhouse, Watson Wyatt, AUTIF and Pensions World.
Contact: Cityforum
Tel: 01225 468744 Fax: 01225 442003
Email: 106703.2270@compuserve.com
London

NOVEMBER 17/18
Practical Dealing course - Foreign exchange
Spot and Forward FX dealing for treasury personnel. Participative course featuring WINDEAL dealing simulation. Ideal for candidates for ACI Diploma exam. £225 + VAT
Lynwood David International Ltd.
Tel: UK +44 (0)1732 463014
Fax: UK +44 (0)1732 463015
LONDON

NOVEMBER 17/18
The Finance Scorecard
This conference examines ways in which senior finance executives can, by using the scorecard approach, add value to the business, improve their own productivity and demonstrate their contribution with tangible performance indicators.
Contact: Kate Jenkins at Business Intelligence Tel: 0181 879 3355 Fax: 0181 879 1122
Email: kate.jenkins@business-intelligence.co.uk
LONDON

NOVEMBER 17/18
The Sixth City of London Central Banking Conference
Participants choose from authoritative and topical topics on:
• REGULATION AND RISK IN EMERGING MARKETS
• LATIN AMERICA AND THE CARIBBEAN - STABILITY & GROWTH
• CENTRAL BANKS AND THE MANAGEMENT OF RESERVES
• CHANGING CITY REGULATION - ITS IMPACT ON FOREIGN PLAYERS
Speakers include central bankers, regulators, investment bankers and fund managers. Bankers Trust, Chase Manhattan Bank, and Donaldson, Lufkin & Jenrette sponsor the successful annual conference, to be held in 1997 with a super round table format.
Enquiries: Cityforum
Tel: 01225 468744, Fax: 01225 442003
Email: 106703.2270@compuserve.com
London

NOVEMBER 17-19
Cashflow Analysis
• Types of Cashflow Statement - Essential Principles • Preparing Cashflows - Historic and Projected
• Interpretation and Evaluation, the importance of Sensitivity Analysis
• Debt Servicing Capacity, Covenants, Monitoring • Forecasting - Cashflow Modelling, 3 days £225 + VAT
Contact: Birch International plc
Tel: 0171 628 4112 Fax: 0171 628 4113
Internet: http://www.birch.co.uk
Email: birch@birch.co.uk
LONDON

NOVEMBER 17-19
The Sixth City of London Central Banking Conference
Participants choose from authoritative and topical topics on:
• REGULATION AND RISK IN EMERGING MARKETS
• LATIN AMERICA AND THE CARIBBEAN - STABILITY & GROWTH
• CENTRAL BANKS AND THE MANAGEMENT OF RESERVES
• CHANGING CITY REGULATION - ITS IMPACT ON FOREIGN PLAYERS
Speakers include central bankers, regulators, investment bankers and fund managers. Bankers Trust, Chase Manhattan Bank, and Donaldson, Lufkin & Jenrette sponsor the successful annual conference, to be held in 1997 with a super round table format.
Enquiries: Cityforum
Tel: 01225 468744, Fax: 01225 442003
Email: 106703.2270@compuserve.com
London

NOVEMBER 17-19
The Sixth City of London Central Banking Conference
Participants choose from authoritative and topical topics on:
• REGULATION AND RISK IN EMERGING MARKETS
• LATIN AMERICA AND THE CARIBBEAN - STABILITY & GROWTH
• CENTRAL BANKS AND THE MANAGEMENT OF RESERVES
• CHANGING CITY REGULATION - ITS IMPACT ON FOREIGN PLAYERS
Speakers include central bankers, regulators, investment bankers and fund managers. Bankers Trust, Chase Manhattan Bank, and Donaldson, Lufkin & Jenrette sponsor the successful annual conference, to be held in 1997 with a super round table format.
Enquiries: Cityforum
Tel: 01225 468744, Fax: 01225 442003
Email: 106703.2270@compuserve.com
London

NOVEMBER 17-19
The Sixth City of London Central Banking Conference
Participants choose from authoritative and topical topics on:
• REGULATION AND RISK IN EMERGING MARKETS
• LATIN AMERICA AND THE CARIBBEAN - STABILITY & GROWTH
• CENTRAL BANKS AND THE MANAGEMENT OF RESERVES
• CHANGING CITY REGULATION - ITS IMPACT ON FOREIGN PLAYERS
Speakers include central bankers, regulators, investment bankers and fund managers. Bankers Trust, Chase Manhattan Bank, and Donaldson, Lufkin & Jenrette sponsor the successful annual conference, to be held in 1997 with a super round table format.
Enquiries: Cityforum
Tel: 01225 468744, Fax: 01225 442003
Email: 106703.2270@compuserve.com
London

Conferences & Exhibitions

NOVEMBER 19 & 20
The Dealing Room Audit
Suitable for: Internal Auditors, Compliance Staff and Bank Inspectors.
Covers: Markets, Products and Customers • Risk in a Dealing Operation • Rules & Regulations • Information Systems • Auditing the Trading Function • Controls in the FX environment. £270 + VAT 2 Days
Contact: TFL Training
Tel: 0171 600 2123 Fax: 0171 600 3751
Email: sales@tfl-training.com
LONDON

NOVEMBER 19-21
World Class Selling Skills
• Differentiation - Political Mapping
• Client Focus and Needs Analysis
• Strategic Selling • Portfolio Analysis
• The Sales Process • Qualification
The Sales Formula, 3 days £225 + VAT
Contact: Birch International plc
Tel: 0171 628 4112 Fax: 0171 628 4113
Internet: http://www.birch.co.uk
Email: birch@birch.co.uk
LONDON

NOVEMBER 20 & 21
FT European Economic and Monetary Union
Economic impact of EMU and the strategic implications for banks, capital markets and European listed companies. Speakers: The Rt Hon Kenneth Clarke QC MP, Mr Howard Davies, Mr John Kemp-Welch.
Enquiries: Lucinda Roberts, FT Conferences
Tel: +44 171 896 2120
Fax: +44 171 896 2696/2697
Email: lucinda@pearson-pro.com
LONDON

NOVEMBER 20-21
The International Council of Television Arts & Sciences in association with Variety, presents: The 3rd Worldwide Television Industry Summit Conference
Senior executives from television and media companies around the world address the hot button issues affecting television industry management globally.
Landscape Keynote: Senator John McCain, Chairman Senate Commerce Committee
Tickets available, breakfast and lunch included.
Managers Ballroom, New York Hilton Hotel (Room to 400)
For information:
Tel: 212/488-8888
Fax: 212/488-8887
USA

NOVEMBER 24-25
Managing Client Relationships
• Marketing • Client Profile Criteria
• Information Gathering, Product Knowledge • Needs Identification
• Interpersonal Skills • Customer Care
• Service Differentiation, Relationship Management • Introducing Specialties
• Creating Value, Advisory Roles
2 days £650 + VAT
Contact: Birch International plc
Tel: 0171 628 4112 Fax: 0171 628 4113
Internet: http://www.birch.co.uk
Email: birch@birch.co.uk
LONDON

NOVEMBER 25/26
Practical Dealing course - Money Market
Cash and short term derivatives for treasury personnel. Participative course featuring WINDEAL dealing simulation. Ideal for candidates for ACI Diploma exam. £225 + VAT.
Lynwood David International Ltd.
Tel: UK +44 (0)1732 463014
Fax: UK +44 (0)1732 463015
LONDON

NOVEMBER 25/26
Practical Dealing course - Money Market
Cash and short term derivatives for treasury personnel. Participative course featuring WINDEAL dealing simulation. Ideal for candidates for ACI Diploma exam. £225 + VAT.
Lynwood David International Ltd.
Tel: UK +44 (0)1732 463014
Fax: UK +44 (0)1732 463015
LONDON

NOVEMBER 25/26
Practical Dealing course - Money Market
Cash and short term derivatives for treasury personnel. Participative course featuring WINDEAL dealing simulation. Ideal for candidates for ACI Diploma exam. £225 + VAT.
Lynwood David International Ltd.
Tel: UK +44 (0)1732 463014
Fax: UK +44 (0)1732 463015
LONDON

NOVEMBER 25/26
Practical Dealing course - Money Market
Cash and short term derivatives for treasury personnel. Participative course featuring WINDEAL dealing simulation. Ideal for candidates for ACI Diploma exam. £225 + VAT.
Lynwood David International Ltd.
Tel: UK +44 (0)1732 463014
Fax: UK +44 (0)1732 463015
LONDON

NOVEMBER 25/26
Practical Dealing course - Money Market
Cash and short term derivatives for treasury personnel. Participative course featuring WINDEAL dealing simulation. Ideal for candidates for ACI Diploma exam. £225 + VAT.
Lynwood David International Ltd.
Tel: UK +44 (0)1732 463014
Fax: UK +44 (0)1732 463015
LONDON

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

NOVEMBER 27-28
The Economist Conferences
Key Operating and Investment Issues in Russia.
Political Risk, Management, Finance, Legal Issues, Human Resources
For further information contact:
Ms Catherine de Lencastre, Ms Monica Davies, The Economist Conferences Ltd.
(43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Marriott, VIENNA

Conferences & Exhibitions

To advertise conferences, exhibitions, trade fairs, conference venues and training courses to approx 1.2 million readers worldwide.

Contact Vivienne Eka on
+44 171 873 3507 fax +44 171 873 3098

A WEEKEND CONFERENCE DOES HAVE ITS REWARDS.

All Conrad International hotels offer an elegance and style that is second to none. Not to mention conference facilities that are in a class of their own.

But now they offer more. The Hilton HHonors™ Worldwide Meeting Planner Bonus Program.

Any meeting planner who books a qualifying meeting at a participating Conrad International hotel with at least ten occupied guest rooms can earn thousands of HHonors bonus points that can then be exchanged for free nights at HHonors hotels. Or earn airline miles with participating airline partners.

The rewards are yours. So make the most of them.

For group bookings and information, please call the Conrad International sales office in London at +44 171 873 48 48 or in Brussels at +32 2 542 48 85. In the US, contact Hilton Direct at +1 972 701 3714.

CONRAD INTERNATIONAL HOTELS

LANGUAGE COURSES

To advertise in Language Courses

Please contact Vivienne Eka on
+44 (0) 171 873 3507

REGENT LANGUAGES FOR BUSINESS

- Tailored tuition for business people
- Courses for individuals and groups
- In company or at our centres in London, Oxford, Brighton and Kent
- Expert teaching in over 40 languages including English

14 Buckingham St, London WC2N 6DF
Telephone: 0171 872 6582
Fax: 0171 872 6590

Would speaking your customer's language have made the difference?

FAST. EFFECTIVE. AFFORDABLE.

Did your last meeting overseas go as well as you had hoped? No? Why not? Did you lose out to a competitor who did speak the language of the customer? Don't let it happen again -

Call BERLITZ for details of 'Doing Business in' French/German/Spanish NOW on
0171 - 915 0909
0121 - 643 4334
0161 - 228 3607
0131 - 226 7198

BERLITZ Helping the World Communicate.

A Review of Business Books

On Tuesday, 18th November 1997, the Financial Times will publish a business books review.

To advertise, please contact Vivienne Eka on
+44 171 873 3507
fax +44 171 873 3098

Financial Times

To advertise contact Vivienne Eka on +44 171 873 3507 or Fax +44 171 873 3098

سكرا من الامل

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

CHEMICALS - Cont.

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

ENGINEERING - Cont.

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

EXTRACTIVE INDUSTRIES - Cont.

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

INVESTMENT TRUSTS

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

INVESTMENT TRUSTS - Cont.

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

BANKS, RETAIL

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

DISTRIBUTORS

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

BREWERIES, PUBS & REST

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

BUILDING & CONSTRUCTION

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

DIVERSIFIED INDUSTRIALS

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

ELECTRICITY

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

ELECTRONIC & ELECTRICAL EQPT

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

BUILDING MATS. & MERCHANTS

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

CHEMICALS

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

ENGINEERING

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

ENGINEERING, VEHICLES

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

GAS DISTRIBUTION

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

HEALTH CARE

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

Siebe process controls remove clogs from Dutch factories.

We smooth the production and bottling of the world's most famously smooth lagers. We are at work in almost every corner of the world. And always in the most important place of all. The lead.



SIEBE THE ENGINEER. HERE, THERE AND EVERYWHERE.
Siebe plc, Saxon House, 2-4 Victoria Street, Windsor, Berkshire SL4 1EN, England, Tel. 01753 855411.

ENGINEERING, VEHICLES - Cont.

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

HEALTH CARE - Cont.

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

HOUSEHOLD GOODS

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

EXTRACTIVE INDUSTRIES

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

INSURANCE

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

BY TRUSTS SPLIT CAPITAL

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.00
Kaiser	10.00	0.00
Miller	10.00	0.00
Orkla	10.00	0.00
Reckitt	10.00	0.00
Tenneco	10.00	0.00
Unilever	10.00	0.00

Company	Price	Change
Adnoca	10.00	0.00
Beck's	10.00	0.00
Carlsberg	10.00	0.00
Heineken	10.00	0.00
Interbrew	10.00	0.0

150 من الامل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

Trust	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

MEDIA - Cont.

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

PROPERTY - Cont.

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

RETAILERS, GENERAL - Cont.

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

TOBACCO

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

AIM - Cont.

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

INVESTMENT COMPANIES

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

OIL EXPLORATION & PRODUCTION

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

OIL, INTEGRATED

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

OTHER FINANCIAL

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

LEISURE & HOTELS

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

PAPER, PACKAGING & PRINTING

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

LIFE ASSURANCE

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

MEDIA

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

PHARMACEUTICALS

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

PROPERTY - Cont.

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

RETAILERS, GENERAL

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

SUPPORT SERVICES - Cont.

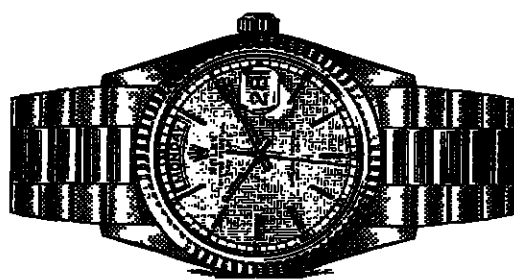
Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

TELECOMMUNICATIONS

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

TEXTILES & APPAREL

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%



Forget Dow. Invest in Ernest.

Ernest Jones

The Diamond and Watch specialist

Rolex is available at selected Ernest Jones stockists. For more information call 0181 905 5000.

AMERICANS

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

CANADIANS

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

SOUTH AFRICANS

Company	Price	Change	Dividend	Yield
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%
Abnorbis	1.15	0.01	0.05	4.3%

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Eikon, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Index.

Dividend dates are shown in price unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, the price is shown after conversion at the current rate of exchange.

Dividend dates are shown in price unless otherwise indicated.

Market capitalizations are published on Tuesday/Thursday except for Investment Trusts and British Funds.

1. Market share increased or resumed.

2. Market share reduced, partial or deferred.

3. Market share suspended.

4. Market share suspended.

5. Market share suspended.

6. Market share suspended.

7. Market share suspended.

8. Market share suspended.

9. Market share suspended.

10. Market share suspended.

11. Market share suspended.

12. Market share suspended.

13. Market share suspended.

14. Market share suspended.

15. Market share suspended.

16. Market share suspended.

17. Market share suspended.

18. Market share suspended.

19. Market share suspended.

20. Market share suspended.

21. Market share suspended.

22. Market share suspended.

23. Market share suspended.

24. Market share suspended.

25. Market share suspended.

26. Market share suspended.

27. Market share suspended.

28. Market share suspended.

29. Market share suspended.

30. Market share suspended.

31. Market share suspended.

32. Market share suspended.

33. Market share suspended.

34. Market share suspended.

35. Market share suspended.

36. Market share suspended.

37. Market share suspended.

38. Market share suspended.

39. Market share suspended.

40. Market share suspended.

41. Market share suspended.

42. Market share suspended.

43. Market share suspended.

44. Market share suspended.

45. Market share suspended.

46. Market share suspended.

47. Market share suspended.

48. Market share suspended.

49. Market share suspended.

50. Market share suspended.

51. Market share suspended.

52. Market share suspended.

53. Market share suspended.

54. Market share suspended.

55. Market share suspended.

56. Market share suspended.

57. Market share suspended.

58. Market share suspended.

59. Market share suspended.

60. Market share suspended.

61. Market share suspended.

62. Market share suspended.

63. Market share suspended.

64. Market share suspended.

65. Market share suspended.

66. Market share suspended.

67. Market share suspended.

68. Market share suspended.

69. Market share suspended.

70. Market share suspended.

71. Market share suspended.

72. Market share suspended.

73. Market share suspended.

74. Market share suspended.

75. Market share suspended.

76. Market share suspended.

77. Market share suspended.

78. Market share suspended.

79. Market share suspended.

80. Market share suspended.

81. Market share suspended.

82. Market share suspended.

83. Market share suspended.

84. Market share suspended.

85. Market share suspended.

86. Market share suspended.

87. Market share suspended.

88. Market share suspended.

89. Market share suspended.

90. Market share suspended.

91. Market share suspended.

92. Market share suspended.

93. Market share suspended.

94. Market share suspended.

95. Market share suspended.

96. Market share suspended.

97. Market share suspended.

98. Market share suspended.

99. Market share suspended.

100. Market share suspended.

FT Share Service

The following changes have been made to the FT Share Information Service. Additions: Northern Rock (NRL), Cairn Energy (CAI), Aggreko (AGG), 18 Solutions (18S), Deloitte (DEL), Bank of Scotland (BOS), Walker (WAL), Yorkshire-Tyne Tees TV, De Warrs (DEW), Seafield Resources (SR), Wood (WOD), Proton (PRO), Lough Linnagh (LL), Red Bull (RBL), TFS (TFS).

5 FT Free Annual Reports Service
You can obtain the current annual report of any company annotated with 5. Please quote the code FT9800. Ring 0181 770 0770 between 9am and 5pm on weekdays or Fax 0181 770 0622. Reports will be sent the next working day, subject to availability.

6 FT Company Focus / Focus Plus
Comprehensive 10-18 page report available on the company, containing key news stories from the last year, short survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent stock exchange announcements. Company Focus (FT news) 32.45, Focus Plus (FT and Investor Chronicle news) 10.55.
To order, call 0181 380 4678.
Reports published by Shareview.

FT Cityline

For up-to-the-minute share prices call FT Cityline on 0330 43 or 0891 43 followed by the four-digit code listed after the share price. Calls are charged at 50p per minute at all times. An international service is available for callers outside the UK. Annual subscription £250 (inc. VAT). Please consult your financial adviser and verify financial information contained in FT Cityline before making any investment decision. All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 875 4376 for more information on FT Cityline.

The share prices printed on these pages are also available on the internet at <http://www.ft.com>.

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 6 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4377.

FT MANAGED FUNDS SERVICE[illegible]

● FT Cityline Unit Trust Prices: dial 0800 4330010 and key in a 5 digit code listed below. Calls are charged at 50c per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

صبرنا من الامل

NEW YORK STOCK EXCHANGE PRICES

Be our guest.

CONRAD

When you stay with us in ISTANBUL stay in touch with your complimentary copy of the FINANCIAL TIMES

No FT, no comment.

NASDAQ NAS

Be our guest.

CONRAD

When you stay with us
in **ISTANBUL**
stay in touch -
with your complimentary copy of the

FINANCIAL TIMES
No FT, no comment.

صبرنا من الامل

FT GUIDE TO THE WEEK

MONDAY 3

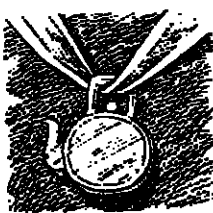
Crete meeting

The Greek and Turkish prime ministers, Costas Simitis and Mesut Yilmaz, meet for the first time on the margins of a two-day Balkan leaders' summit on the island of Crete. The meeting comes amid rising tension over military incidents during Greek, Cypriot and Turkish exercises in the Aegean. Greece is hosting the summit to promote better relations with its neighbours most of whom want the region to be known as south-east Europe rather than the Balkans. Heads of state and government from Albania, Bulgaria, Macedonia, Romania, Serbia and Turkey will attend.

London in Frankfurt

The London International Financial Futures and Options Exchange hosts a conference in Frankfurt. Bank of England governor Eddie George will be among the speakers discussing the City of London's position as a leading financial centre and its preparations for the advent of the European single currency.

Culture awards



On Culture Day, a public holiday in Japan, the Emperor awards the Order of Culture to five people who have made outstanding contributions to the cultural life of the nation. This year's recipients include a master of the tea ceremony, professors of economics, physics and organic chemistry, and a maker of traditional Japanese lacquerware.

Cyber-conference

Some 70,000 delegates are expected to attend what has been billed as the world's first environmental cyber-conference, at website www.environment97.org. On-line speakers will include Sir John Houghton, head of scientific assessment for the inter-governmental panel on climate change.

FT Surveys

Bermuda.

Holidays

Australia, Belgium, Bolivia, Colombia, Ecuador, Japan, New Zealand, Panama.

TUESDAY 4

Jordan votes

Parliamentary elections take place in Jordan but the outcome is already decided following the decision by the Islamic Action Front parties to boycott the elections. The boycott is seen as a blow to King Hussein's attempts to



Feeling the heat? Bonfire Night in Britain on Wednesday remembers MPs' escape from the flames when the Gunpowder Plot failed

introduce more democracy and integrate the Islamist parties into the political system. The opposition had wanted a change in the election law to make them more representative.

Spotlight on unions

The Geneva-based International Labour Organisation publishes its annual World Labour Report, which this year documents the decline of trade union membership around the world and looks at the role of trade unions in the globalised economy.

Suicide choice

In elections in the US, voters in New Jersey and Virginia choose state governors while hundreds of cities elect mayors. In New York City, incumbent Republican Rudolph Giuliani is expected to win easily. Attention is also focused on Oregon where voters are being asked if they wish to reverse a previous decision allowing assisted suicide in the state.

Day at the races

Melbourne comes to a halt for the running of Australia's biggest horse race, the Melbourne Cup.

Holidays

Andorra, Australia, Dominica, Panama, Tonga, United States, Vatican City.

WEDNESDAY 5

Security conscious

Taiwan hosts the annual conference of the International Organisation of Securities Commissions. Discussions

will focus on the development and integration of Asian financial markets, the impact of foreign investment in emerging markets. Taiwan's Securities and Futures Commission will also sign co-operation agreements with several foreign counterparts.

Jobs talks

European Union finance ministers meet in Brussels with employment - and the jobs summit planned for later in the month - high on the agenda. Employment ministers will have their say on the issue on Thursday.

Overseas aid

The biggest shake-up in British aid policy for 20 years will be set out in the government's white paper on international development, product of the new Department for International Development (DFID) under Clare Short. For the first time since the mid-1970s, the portfolio is a cabinet post. The paper is expected to call for an end to links between aid and UK commercial and strategic interests. It is also expected to reflect Ms Short's determination to channel assistance, worth some £2bn a year, more directly towards the world's poor. But will this mean aid will no longer be used as a lever to encourage recipients to make political and economic reform?

product of the new Department for International Development (DFID) under Clare Short. For the first time since the mid-1970s, the portfolio is a cabinet post. The paper is expected to call for an end to links between aid and UK commercial and strategic interests. It is also expected to reflect Ms Short's determination to channel assistance, worth some £2bn a year, more directly towards the world's poor. But will this mean aid will no longer be used as a lever to encourage recipients to make political and economic reform?

Fireworks in the House

On Bonfire Night - the anniversary of the failed 1605 'Gunpowder Plot' to

blow up the Houses of Parliament - Labour MP Brian Iddon will bring gunpowder back into the House for a demonstration of "explosive chemical energy in action" for fellow MPs. Dr Iddon was reader in chemistry at Salford university before being elected to parliament.

Tiger burns bright

Young US golfing star Tiger Woods arrives in golf-crazy Japan on a five-day visit. Fans are expected to turn out in droves to see him in action.

FT Surveys

FT-IT, Business Locations in Europe.

Holidays

Dominica.

THURSDAY 6

Scottish poll

Polling takes place in a UK by-election in Paisley South. The contest was caused by the suicide in July of Gordon McMaster, the Labour MP who left a note accusing party colleagues of spreading malicious gossip about him. Mr McMaster had a majority of 12,750 and Douglas Alexander, the Labour candidate, is expected to hold the seat comfortably. Labour has fought a low-key campaign and sidestepped accusations of malpractice in the local party and council, saying the matters are still under investigation by its national executive. The principal challenger to Mr Alexander is Ian Blackford, the SNP candidate whose party was runner-up in the general election.

Rates decision

The Bank of England's monetary policy committee ends its monthly two-day meeting and is expected to announce that UK interest rates will remain unchanged. The committee is likely to conclude that raising rates would risk denting confidence further after recent stock market turbulence.

Kohl meets Aznar

Helmut Kohl, the German chancellor, meets in Bonn with José María Aznar, the Spanish prime minister, for an informal evening of talks. The meeting is described by German officials as one of a regular series with EU government leaders. But decisions on membership of the planned European single currency are looming.

Holidays

Israel, Liberia, Morocco, Tajikistan, United States.

FRIDAY 7

Amazon agreement

Presidents Fernando Henrique Cardoso of Brazil and Ernesto Samper of Colombia meet in Cartagena, Colombia, to sign bilateral agreements. They will be discussing environmental protection and sustainable development policies for the Amazon basin, and will issue a joint declaration on the conservation of the Amazon. Drug trafficking is also on the agenda.

Confronting racketeers

Japan's Keidanren, or Federation of Economic Organisations, holds an emergency meeting - attended by 800 of its member companies - to urge them to cut ties with "sokaiya" corporate extortionists. Revelations of pay-offs to sweeten deals have now spread from the financial sector to a wide swathe of Japan's manufacturers and blue chip companies. Mitsubishi Motors is one of the latest big names to admit making illegal payments in order to avoid disruption of its annual meetings or other threats.

Cricket

First test between Australia and New Zealand begins in Brisbane.

Holidays

Bangladesh, Malaysia, Belarus, Russia, Tunisia, Ukraine, Western Samoa.

SATURDAY 8

Margarita summit

More than 20 heads of state from Latin America, Spain and Portugal attend the seventh Ibero-American summit on Margarita island off Venezuela's Caribbean coast. Beyond regional topics such as democracy, corruption, and drug-trafficking, Fidel Castro, the ageing Cuban leader, will draw the attention of summit observers. Last week Cuba's foreign minister made a

surprise visit to Caracas. Some say his mission was to win over summit host, president Rafael Caldera, as an ally in defence of likely pressure from Spain and other Latin neighbours for Cuba to adopt reform towards democracy and a market economy.

Prague protest

Czech trade unions will demonstrate in Prague against the centre-right government's economic policies. The Czech-Moravian Chamber of Trade Unions, which has 1.7m members, opposes austerity measures introduced after the May currency crisis, in particular the public-sector wage freeze.

Emissions mission

With less than a month to go before the Kyoto conference on global warming, representatives from about 20 countries

gather in Tokyo for an informal ministerial-level meeting to finalise preparations for the conference. There are still differences in the proposals for reducing emissions levels put forward by the industrialised nations. Japan is likely to push the US and EU to move further towards a compromise position this weekend.

Ocean going

The Whitbread Round the World yacht race fleet sets off from Cape Town on the second leg of the global circumnavigation. The fleet is expected to arrive in Fremantle, Western Australia, on November 24 after a voyage of 4,600 nautical miles.

Good breeding

Horse racing's richest meeting, the Breeders' Cup series of races at Hollywood Park, California, has attracted entries from around the world.

Holidays

Nepal, Ukraine.

SUNDAY 9

Heavy industry

Members of the Confederation of British Industry gather at the start of its national conference in Birmingham, continuing until November 11. Delegates to the three-day conference will hear speeches from Tony Blair, the prime minister, and Gordon Brown, the chancellor, as well as other cabinet ministers and William Hague, the Conservative party leader.

Holidays

Pakistan, Ukraine

Compiled by Roger Beale.
Fax: (+44) (0)171 873 3196.

ECONOMIC DIARY

Other economic news

Monday: Personal income growth in the US is thought to have slowed slightly between August and September, as is consumption growth. The UK purchasing managers index may show weak exports taking more of a toll on manufacturing.

Tuesday: Consumer credit growth in the UK is forecast to have declined in September, maintaining the volatile downward trend of recent months. Japanese new car registrations look set to have recorded another sharp year-on-year fall last month.

Wednesday: US factory orders are thought to have stagnated in September, reflecting subsiding demand for durable goods. German industrial production is expected to show a rebound for September, following August's sharp drop.

Thursday: Unemployment is forecast to have risen in eastern and western Germany in October, as labour market schemes do less to depress the figures.

Friday: US non-farm payrolls are expected to show an increase for October in line with September's 215,000 rise, while the unemployment rate may drop slightly.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Oct M0*	0.7%	1.0%		Germany	Sept manufacturing output par-Ger	2.7%	-5.1%R
Nov 3	UK	Oct M0**	6.1%	6.1%		Germany	Sept industrial production west		-4.9%R
	UK	Oct Chart Inst of Purchasing Managers		62.7%		Germany	Sept industrial production east		-4.9%R
	US	Sept personal income	0.4%	0.6%	Thur	Germany	Oct unemployment par-Ger†	25k	34k
	US	Sept personal consumer expenditure	0.3%	0.3%	Nov 5	Germany	Oct unemployment west†	2k	7k
	US	Oct Nat Assoc of Purchasing Managers	54.0%	54.2%		Germany	Oct unemployment east†	23k	26k
	US	Sept construction spending	0.5%	-0.3%		Germany	Aug employment west†	-8.5%	0k
	US	Oct domestic auto sales	6.8m	6.8m		Germany	Oct vacancies west†		1k
	US	Oct domestic light truck sales	6.3m	6.3m		Germany	Oct short time west non-		15k
Tue	Japan	Oct auto sales**		-8.9%	UK	Oct CBI distributive trades		26.0%	
Nov 4	Japan	Sept overall pers consumer expend**		-0.5%	US	Sept home completions		1.32m	
	Japan	Sept pers cons expend (workers)**		-0.3%	US	Initial claims Nov 1	305k	287k	
	Japan	Sept income (workers)**		-0.3%	US	State benefits Oct 25		2,201k	
	Japan	Oct forex reserves*		0.8%	Fri	US	Non-farm payrolls	210k	215k
	UK	Sept consumer credit	£0.8bn	£1bn	Nov 7	US	Oct manufacturing payrolls	10k	-16k
	UK	Oct official reserves		-\$17m		US	Oct unemployment rate	4.8%	4.9%
	US	Sept leading indicators	0.2%	0.2%		US	Sept wholesale sales		-1.1%
	UK	Oct CIPS services survey		56.3%		US	Sept consumer credit	-\$4.8m	-\$4.3m
	UK	Sept industrial production*	0.3%	-0.4%	During the week...				
	UK	Sept industrial production**	2.5%	2.8%		Germany	Sept manufacturing orders par-Ger	1.0%	1.2%R
	UK	Sept manufacturing output*	0.3%	-0.1%		Germany	Oct final cost of living west*		-0.3%
	UK	Sept manufacturing output**	1.7%	1.8%		Germany	Oct final cost of living east*		-1.8%
	US	Sept factory orders	0.1%	1.3%		Germany	Oct cost of living par-Ger*	-0.1%	-0.3%
	US	Sept factory inventories		0.4%		Germany	Oct cost of living par-Ger**	1.8%	1.9%
Germany	Sept industrial production par-Ger		2.8%	-4.9%R	month on month, *year on year, **seasonally adjusted. Statistics courtesy IHS International.				

MORSE

Open

Your mainframe has gone to meet its maker. Now you have open systems, client/server architecture, distributed processing - call it what you will.

It works. But now there are 300 budding IT Directors on the network doing their own thing. And it's your job to manage it.

View

Hewlett-Packard's OpenView is a suite of tools that works as your eyes and ears on the network. OpenView can also distribute software, reduce system bottlenecks and fix faults. What's more, it looks after multiple platforms, including UNIX and NT.

Prevent your "Open" dream becoming your worst nightmare. Call to arrange a visit to our Enterprise Computing Centre to see OpenView in action.

MorseData

0800 22 88 88

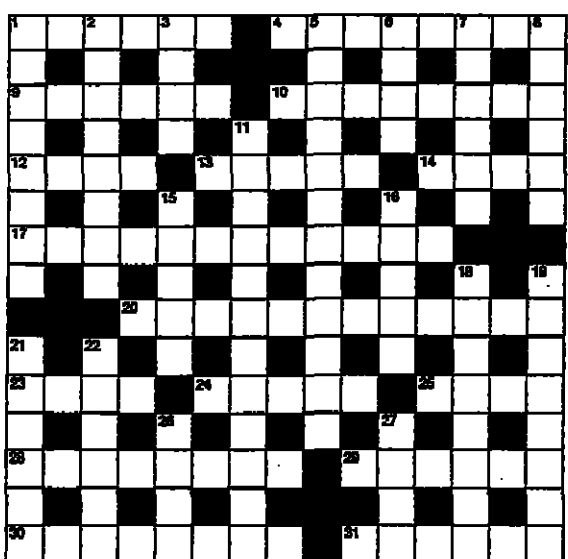
JOTTER PAD

ACROSS

- Mailboat making a lot of money (6)
- Caution had Simon upset (8)
- Limpet's last view of seaweed? (6)
- Stimulant drug reduced in punch (8)
- Animation in the land (4)
- Relief-work amounted to nothing (5)
- Intermediate standard (4)
- Long face facing execution, as in dramatic film episode? (5-7)
- Novel garment knitted for executive (12)
- A journey abroad (4)
- Coward's happy family? (5)
- Barge and glower endlessly (6)
- Like a man speaking double Dutch, say? (8)
- Look to line-out in All-Black ground (6)
- Needs are different in night air (8)
- Overcrowded area of Hastings, say? (6)

DOWN

- Tolerance of Bunthorne's bride otherwise (8)
- Pot or tin basin broken (8)
- These fish drop off endlessly when upside down (4)
- Double vision? (12)
- University in which none are gated (4)
- Moves ahead slowly playing game (having lost last of pawns) (6)
- Recoiling from ship leaving battle area (6)
- Square and road up - danger when moving (6-6)
- Stern, wearing spectacles in operation (5)
- Girl receives kiss - appropriate without permission? (6)
- Nut left inside something prickly (8)
- Order of owls with soft feathers has to reduce speed (4,4)
- Teachers of poor sportsmen who have no time? (6)
- Harry, dweller on riverbank (6)
- Bad sign, ladies losing head? (4)
- Mail goes astray in the capital (4)



WINNERS 9,510: A.C. Chitnis, Southampton; K.P. Henry, London W2; Mrs W.S. Reynolds, Edinburgh; L.A. Shabrokh, Handsworth Wood, Birmingham.

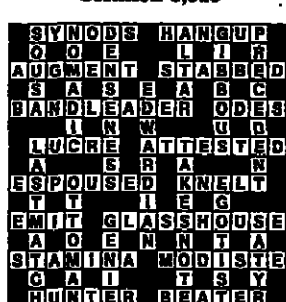
MONDAY PRIZE CROSSWORD

No.9,522 Set by DINMUTZ

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £60 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday November 13, marked Monday Crossword 9,522 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8EL. Solution on Monday November 17. Please allow 28 days for delivery of prizes.

Name _____
Address _____

Solution 9,510



INSURANCE • by Christopher Adams

Deals being made in a rush to diversify

Companies are using strong balance sheets to make big acquisitions

Do not be fooled by the lazy heat of Bermudian sunshine. Behind the relaxed facade of Front Street, where tourists pick their way among the gift shops, some of the world's youngest but biggest insurance companies are rushing to diversify.

Frenetic deal-making has broken out on the island. Companies that set up business five years ago to meet demand for property and catastrophe reinsurance in the wake of Hurricane Andrew are using strong balance sheets to make big acquisitions.

Behind the restructuring is a realisation that growth can only be sustained with a wider book of business and a broad geographical spread. Cost efficiency and the fiscal advantages a Bermuda base will not be enough. Moreover, competition in reinsurance has increased. Buoyant equity markets and an absence of serious hurricanes mean conventional insurers have less need to protect against big losses. Some investors say Bermudian reinsurers are overcapitalised.

"Property catastrophe can be very profitable, but it is also very volatile," says Robert Cooney, chief operating officer of XL Insurance. "Wall Street penalises stock prices because of this. If you're in the sector, you might conclude it is attractive to be part of a bigger, better diversified company."

Including the island's insurance companies, many of which started in the mid-1980s by specialising in North American liability insurance, the sector's capital base has swelled to \$37bn. Bermuda is also home to a large number of "cap-



COVER BEALE

itive" insurers set up by multinationals to serve individual needs.

The island attracts insurance companies because they do not have to pay corporation tax, which means they can use the extra profits to build reserves against future claims. An accommodating regulatory environment has encouraged the growth in captives.

However, several companies now want partners who can give them a presence in overseas markets and access to new areas of business.

Partner Re, a catastrophe reinsurer which had resisted pressure to broaden its business, acquired French reinsurer Soci t  Anonyme Fran aise de Reassurances for \$5.4bn this year from Assurances G n rales de France. In doing so, it enlisted the help of Swiss Re, which has taken a 23.6 per cent stake in the group.

The acquisition gave Partner Re a presence in credit and guarantee reinsurance, as well as a stake in the motor and life markets.

insurance group, which owns Admiral, the UK tele-sales insurer.

"It's far more difficult to rely on one line of business. You leave yourself exposed to the vagaries of the market," says Michael Butt, chief executive of Mid-Ocean. "We realised since the beginning that only certain types of business would flow to Bermuda." Mr Butt warns against expanding for the sake of size and does not believe the reinsurance sector is overcapitalised. The ratio of premiums underwritten to equity has always been low by global standards, because of the size of individual risks, he says.

The acquisition of Tempus Re last year by Aca, a diversified insurance company, was the first hostile takeover battle in Bermuda and has raised expectations that more deals could follow. Aca had to raise its original offer after IPC Holdings, a rival reinsurer, launched its own uninvited bid.

Renaissance Re is one of several reinsurers not to have aligned itself with another company. It says it has had approaches, but is "happy to be independent". Furthermore, it wants to concentrate on its core catastrophe business and has set

up a company called Glencoe to underwrite homeowner cover in California.

By diversifying within catastrophe reinsurance, but writing varied business which generates losses at different times, it says it can spread risk just as effectively. Like other Bermudian companies, it has sought to return cash to shareholders through share buy-backs or increased dividends.

Brian Dupont, chief executive of Aca, says there are other areas the industry has yet to exploit. A trend among commercial buyers to seek financial reinsurance which "smooths" the effects of future losses on balance sheets could present opportunities, he says.

There has also been a move towards "securitisation" or developing financial products that meet insurers' need to protect against big losses but which can be translated into tradeable instruments to sell to investors. The Bermuda Commodities Exchange is launching a catastrophe options contract enabling companies to place risk with capital markets investors.

In the captive insurance sector, meanwhile - where dedicated insurance companies are set up by multinationals to serve their needs more cheaply - the threat from other global centres is increasing. New York is considering legislation on captives that may reduce the flight of capital offshore. In addition to the Cayman Islands, the US state of Vermont has emerged as a serious competitor, as have Dublin and the Channel Islands.

The soft insurance market means there is less advantage to be gained in establishing a captive. Instead, the chase is on to identify untapped groups such as hospitals seeking protection from medical malpractice lawsuits or company directors wanting coverage for professional liability.



Hurricane Felix: the physical damage it wreaked on Bermuda in 1995 was estimated to have cost about \$1m

PROFILE Bermuda's Biological Research Station

Sounding out the weather

The station is working with the insurance sector to try to predict hurricanes

Lying beneath the clear, blue waters off the coast of Bermuda is an array of sonar listening devices that stretches for many miles in every direction.

"There are little microphones all over the place down there," says Rick Murnane, manager of the science program at Bermuda's Biological Research Station. "The US Navy used them to listen to submarines, but you can also track whales with them."

Mr Murnane explains that radio waves, which are electromagnetic, do not travel as well through the ocean as sound because water conducts electricity. So there would be little point, for example, in attaching a radio transmitter to a whale.

From its vantage point in the mid-Atlantic, Bermuda's biological

station is well placed to study the sea.

Visiting scientists have used it for nearly a century and migratory whales comprise a small part of its activities. Many of the scientists are monitoring the effects of global warming on the chemical composition of the sea.

The station has also started to work with the insurance industry to try to predict hurricanes more effectively. Using powerful computers and highly detailed satellite photographs, the station could chart its own destruction were a hurricane to speed towards Bermuda.

A whiteboard on the second floor of a cramped office block in the station shows that the strongest Atlantic storm this year was Hurricane Erika. Packing winds of more than 100mph, it missed Bermuda by just a few hundred miles and swirled harmlessly out at sea.

Not all hurricanes are so obliging, however. When Hurricane Andrew hit Miami five years ago, it

caused more than \$15bn of damage and shook the confidence of insurance companies in their own ability to predict losses accurately.

In 1995, an unusually active season of hurricanes killed some 121 people and caused \$7.7bn of damage in the US.

"Insurers lost a lot more money than they thought they would lose," says Mr Murnane. "A lot of them realised that they didn't know what they were doing and decided to invest in hurricane research."

Eleven insurance companies, several of them based in Bermuda, are spending some \$1.1m a year to understand how hurricanes form and the probability of them striking land.

To date, their own efforts at predicting losses have focused on the effects of the storms and their historical occurrence.

"The problem with that is you only have a record that is 100 years long. So you can't tell much about the frequency of really severe hurricanes and the effects

that they have," says Mr Murnane.

The biological station has enlisted the help of William Gray, a professor at the University of Colorado. His is a more sophisticated science, using constantly updated information on rainfall in west Africa, sea surface temperatures across the Caribbean, and the behaviour of winds in the upper atmosphere.

So far, the project has raised more questions than answers. An unusual warming of the Pacific Ocean waters off South America called "El Ni o" has this year played havoc with Professor Gray's hurricane forecasts and he has been forced to revise them.

Luckily for the insurance companies that follow his predictions, this has been good news.

There have been three Atlantic hurricanes so far this year - fewer than normal - and the season is almost over.

Christopher Adams

Dispute rumbles on

A protracted row over an insolvent Bermuda-based insurance company could have serious implications for the way insurers are allowed to restructure themselves in the face of massive environmental claims.

The dispute, which has rumbled through the law courts for two years, embarrassing the Bermudian authorities, centres on a mutual liability insurer called Emlico set up by General Electric of the US.

Emlico was transferred from Massachusetts to Bermuda in July 1995. Four months later, after an actuarial review, reserves for asbestos and environmental liabilities were raised, pushing it from a \$200m surplus to a \$500m loss. Its directors

decided to wind the company up.

But reinsurers who underwrote a portion of the group's book of business said Emlico acted fraudulently, concealing knowledge of its losses before moving to Bermuda.

Emlico had purchased cover from about 400 reinsurers, including US-based General Re, Germany's Hannover Re, Lloyd's of London underwritten by Kemper Re, National Indemnity and Commercial Union.

They argue that under Bermudian law, a liquidator can recover more money from reinsurers more quickly than in other countries. The liquidators, Coopers & Lybrand, say this is not correct and deny the reinsurers' charges.

Kym Astwood, Registrar of Companies in Bermuda,

says complaints by Kemper Re challenging the relocation of Emlico have been dismissed by courts in Bermuda and Massachusetts. He maintains that the island's loose regulatory environment is effective.

The court in Massachusetts ruled that the reinsurers were not policyholders of Emlico and fell outside its protection, he says.

It said that Bermudian laws on liquidation were "comprehensive" and similar to those in Massachusetts. "A lot of these accusations in my view are questionable," says Mr Astwood. "It is up to the courts to decide. Bermuda is well qualified to run off insurance companies."

But with the reinsurers companies taking their fight to higher courts, the liquidators have been negotiating a settlement.

Several reinsurers have agreed to meet a portion of their liabilities. Among those are General Re and Hannover Re. It is thought National Indemnity may join them. Lloyd's, the rest of the London reinsurance market, and Kemper Re have yet to settle.

Grant Gibbons, Bermuda's finance minister, refuses to be drawn into the argument. "No matter what system you have there will always be occasions when things did not go as well as they might have. In this case, the courts will decide."

Christopher Adams

PROFILE Bermuda Commodities Exchange

An ambitious experiment

Can a small island with little direct experience in the capital markets hope to succeed where Chicago has largely failed?

That is the question that hangs over Bermuda's new commodities exchange, whose computerised trading system will be turned on officially on November 12. The exchange's first contract: a catastrophe insurance product, aimed at the same customers that the Chicago Board of Trade has tried, with little success, to attract.

This is an important experiment for Bermuda. As the world's insurance and capital markets become more intertwined, an insurance centre lacking skills in securities and derivatives trading may see its influence wane.

The Bermuda Commodities Exchange will begin by trading options based on losses from hurricanes, tornadoes and other climatic events in five different US regions and nationally. The contracts cover losses either from a single event, a second event

or in aggregate.

Chicago's attempt to build a market for similar insurance options has hardly been a roaring success. In the two years since it began trading catastrophe options, the CBOT's products have resulted in only about \$50m of risk transfer, a drop in the ocean given the scale of the potential losses from such natural disasters.

Also, Bermuda's exchange is launching itself into a global insurance market awash with capital - hardly the best time to try to develop new products such as these.

Thomas Heise, president of the new exchange, claims there is still plenty of room for the fledgling market to establish itself. Though capital has flooded back into the catastrophe business, there is a shortage of capacity to back certain risks.

Insurers - and reinsurers - are still wary of being overexposed to the losses that a large hurricane smashing into New York could cause, says Mr Heise. He estimates that \$500m of

catastrophe exposure could be waiting to change hands.

Bermuda also hopes to learn a lesson from the CBOT's experience. Its contracts will be fully collateralised, rather than requiring only a trading margin, a move that reflects concerns about whether traders will be around to pay out their losses when disaster strikes.

And its options are based on a far more detailed index of actual insurance losses, potentially making them more effective as a hedge. While Bermuda is rife with the insurers and reinsurers who might seem natural customers for such an exchange, however, it lacks the base of active traders and risk-takers who oil the wheels of Chicago's markets. Does this mean its exchange will be stillborn?

According to Mr Heise, it is better to have specialist insurance companies such as Mid Ocean and Partner Re as exchange members than pure trading firms. "It's not as big a leap for a reinsurer to become a

trader as it is for a trader to become a reinsurer."

Also, Mr Heise says, the success of this market will not be in the volume of trading it generates, but in the amount of risk transfer that it supports. After tackling the climatic problems of the US's Gulf and east coasts, the next step will be to develop products for catastrophes such as a Japanese hurricane, he says.

For their part, some reinsurers seem cautiously interested but are hardly falling over each other to trade on this new market. Michael Butt, chief executive of Mid Ocean, agrees that there is a need for catastrophe contracts like these, but says his company has joined the market mainly to "establish a watching brief". David Brown, chairman of Center Re, which is not a member, says the market may simply be too small to generate the trading volume and volatility that a public market needs.

Richard Waters

We keep

YOUR

goals in

focus...

At Bank of Butterfield we take the time to understand our clients goals and objectives and focus on how to best achieve them. We watch the markets and analyze the trends, offering our clients the very best innovative solutions and advice. Our commitment is total, our focus absolute.

To put our commitment and focus to work for your business please contact our Treasury Corporate desk on (441) 295-1187.

Brokerage >> Corporate Finance >> Derivatives >> Eurocommercial Paper >> Foreign Exchange >> Futures Options >> Money Market

Bank of Butterfield

The Bank of N. T. Butterfield & Son Ltd.
65 Front Street, Hamilton, Bermuda.
Tel: (441) 295-1111 • Fax: (441) 295-1220
http://www.bermuda.bnb/bankbutterfield
E-mail: bmb@bbl.bm

Issued by the Bank of Butterfield Bermuda, a member of the Bank of Butterfield group of companies and approved for insurance in the UK by the Bank of Butterfield, London Branch, which is regulated in the UK for investment business by the Securities and Futures Authority. The value of investments and income derived therefrom may go up or down. It is advised that before making any investment decision you consult a professional adviser.

6 BERMUDA

Guide for the visitor

General information

Time: GMT -4 hrs (GMT -3 hrs from April to October).
Climate: Sub-tropical with temperatures usually ranging between 16°C during winter (November-March) and 28°C during summer (April-October). No marked rainy season. Occasional hurricane-force winds in September.
Clothing: There is no occasion on the island when shorts cannot be worn. For the office, tailored shorts of one colour should be worn with long socks to the knees with at least an inch to turn over.

Entry requirements

Passport: Required by all except US and Canadian nationals holding proof of identification. Return/onward ticket required by all travellers.
Visa: Required by nationals of east European countries, Cuba, Argentina, Iran, Iraq, Libya and certain others (unless permanent residents of the US). Stays of more

than three weeks are not automatically allowed without a permit - applications should be made at the airport.

Currency

There is no restriction on import of foreign exchange but export must not exceed that declared on entry. There is no restriction on the import of local currency export is limited to BD250.

Health precautions

Mandatory: Yellow fever vaccination certificate is required if travelling from an infested area.
Advisable: Hepatitis, typhoid, tetanus and polio vaccinations.

Getting there

Air access: Tax: Adult international departures BD20 (January 1996), excluding transit passengers.
International airport: Kindley Field (BDA), 19km from city of Hamilton. Bar, restaurant, bank, shops, hotel reservations. Surface access

Main ports: Hamilton, St George's. Weekly cruises link Bermuda with New York in summer months.

Hotels

Generally expensive and advisable to book well in advance. Six per cent government tax payable on check-out on room rates. Tips about 10 per cent are expected except where 10-15 per cent service charge added to bill. The Visitors' Service Bureau at Bermuda Civil Air Terminal (which is open 0830-0330) will provide information on accommodation to visitors who have not pre-booked. Credit cards: Accepted at most hotels, restaurants and shops.

Getting around

Car hire: In order to ease traffic congestion, self-drive cars are not available and local licences are not issued for short stays. Numerous mopeds available for hire.
City transport: Taxicabs: Metered taxis are also available by the hour or by the day - legal rates are applicable for those with blue pennants driven by

qualified guides and these are available on a time basis for sightseeing. A 10-15 per cent tip is usual.
National transport: Road: Bermuda has about 250km of well-surfaced roads. Traffic drives on the left and the speed limit is 35kph. Two-wheeled vehicles are favoured.
Water: A number of harbour points are served by ferries.

Public holidays

Fixed dates: 1 January (New Year's Day), 24 May (Bermuda Day), 11 November (Remembrance Day), 25-26 December.
Variable dates: Good Friday, Queen's Birthday (June), Cup Match and Somers' Day (July/August), Labour Day (first Monday in September).

Working hours

Government and business: (Mon-Fri) 0900-1700.
Banking: (Mon-Fri) 0930-1500 also 1630-1730 Fri.
Shops: (Mon-Sat) 0900-1700.



Dressing down: there is no occasion on the island when shorts cannot be worn

Communications

Telephone: Dialling code for Bermuda: IDD access code + 1-441 followed by subscriber's (seven-digit) number. There are no area codes. Direct dialling to the UK, the US, West Indies, Europe and most other countries worldwide. Service is digital electronic and there are public phone kiosks throughout the island.

Postal service: Advisable to use airmail, which is fast.

Banking

Banking centre: Hamilton.
Central bank: Bermuda Monetary Authority.
Commercial banks (head offices): Bank of Bermuda, Bank of NT Butterfield Son, Bermuda Commercial Bank.
Joint stock/venture banks: Bermuda Commercial Bank, Bermuda Shields Trustee

Co., Chartered Trust Co., European American Finance (Bermuda), Montreal Trust (Bermuda), Pierson, Helderberg Pierson (Bermuda), Schroders (Bermuda), Schroder International Trust Co.

Useful addresses

Bermuda Chamber of Commerce: PO Box HM-655, Front Street, Hamilton HMCX (tel: 295-5151).

295-1201: Bermuda Monetary Authority (central bank): PO Box HM 2447, 48 Church Street, Hamilton HM12 (tel: 295-5278).
Ministry of Finance: Government Administration Bldg, 30 Parliament St, Hamilton HM 12 (tel: 295-5151).

Source: World of Information April 1997

Bermuda: on line for a new insurance market index.

FTSE International and The Bermuda Stock Exchange announce a joint initiative to launch a new insurance market index for Bermuda.

The new Bermuda Insurance Index will track the performance of the leading publicly traded, international insurance companies based in Bermuda.

All constituent companies have their management based on the island and when launched, the index will facilitate performance comparisons between insurance companies operating in this tax-efficient environment and those based in the USA and Europe.

FTSE
INTERNATIONAL

aherbert@ftse.com

BSX

<http://www.bsx.com>



One of the houses sold by the Property Group. Prospective US buyers have flooded back to Bermuda after a two-year absence

PROPERTY • by Christopher Adams

Tycoons descend on the island

Buyers with bulging pockets mean brisk business for the sector's top end

At the end of a narrow, twisting road running through Bermuda's eastern parish of Tuckers Town is an imposing gate.

Behind it lies several hundred million dollars of lavish real estate: the extravagant houses of politicians, pop stars and business tycoons who have chosen the world's second most remote island as their summer home.

Barbara Trimmingham, managing partner of the Bermuda-based Property Group, says that turnover this summer has been brisk, with mock-Georgian and Devonshire style cottages changing hands for up to \$12.5m.

Ms Trimmingham says that prospective US buyers have flooded back to Bermuda after a two-year absence, their pockets now bulging with the proceeds of a sustained bull run in the international capital markets.

The fact that US citizens are taxed on their worldwide income means that, at a personal level at least, there have traditionally been very few financial advantages for Americans in choosing Bermuda as their base.

This year, however, Wall Street traders and brokers have been moving in to Bermuda properties next to long-established residents such as Silvio Berlusconi, the former Italian prime minister, pop star David Bowie and Ross Perot, the US billionaire.

Demand has been further boosted by an end to political uncertainty on the island's status following a referendum on independence which took place two years ago. The referendum rejected breaking the colonial links with Britain.

The effects of this mini-boom at the top end of the property market have spilled over into the rest of Bermuda's housing market.

cult for local residents. Native Bermudians, many of whom do not have lucrative jobs, are forced to wrestle with average house prices of \$400,000.

"The vast majority of property in Bermuda is like Manhattan with no Brooklyn," says Ms Trimmingham. "There are no cheap suburbs."

As a result, young couples can spend several years of early marriage living with their parents while husbands and wives often have to hold down three to four jobs between them.

In an effort to ensure that most of the island's property is reserved for citizens of Bermuda rather than for expatriates or visitors, the government has imposed heavy fees on sales of property to foreign housebuyers and there are limits on ownership.

For example, foreigners can only purchase houses that have an annual rental value of at least \$43,800. At any one time, there are about 40 properties for sale on the island. These range in price from \$1.5m to \$20m.

In addition, a tax levied on sales to overseas buyers has been raised sharply in recent years - to 22 per cent for a house and 15 per cent for a condominium.

Nevertheless, this does not appear to be deterring buyers and demand for property is so great that some simply want land on which to build.

The biggest houses are to be found in Tuckers Town, but other exclusive neighbourhoods that are much in demand include Point Shares & Fairlands, Harbour Road and the South Shore.

The redevelopment of a former naval air station, adjacent to the airport at the east end of the island, may help to relieve some of the pressure on space.

As well as providing scope to develop commercial operations, this site will be reserved for residential communities.

Marriott International, the US hotels and services group, is also planning to proceed with a plan for two housing developments at